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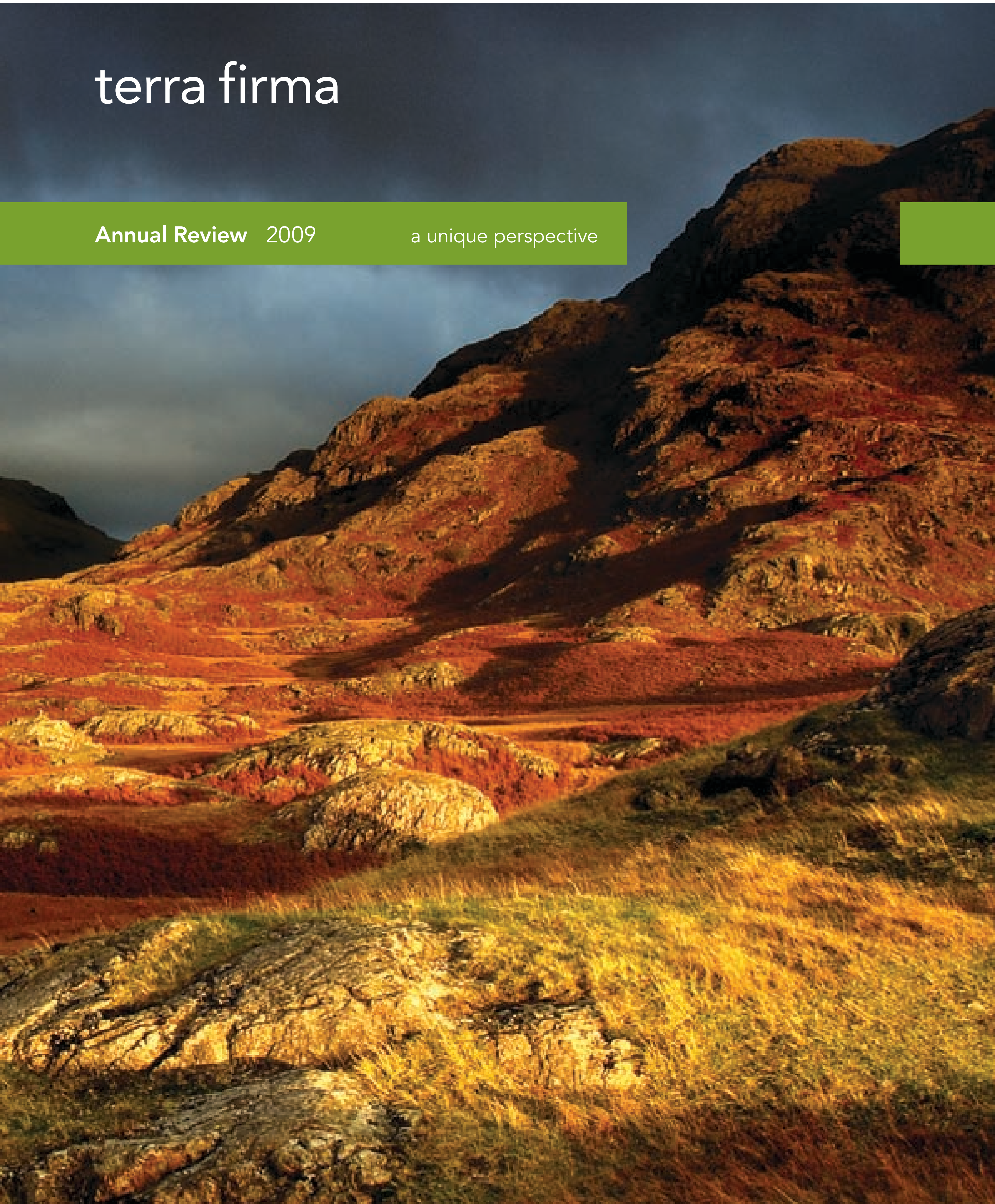


TERRA FIRMA AIMS TO BE THE LEADING CONTRARIAN INVESTMENT FIRM – RESPONSIBLY DELIVERING SUPERIOR RETURNS OVER THE LONG TERM

1 Executive Summary

LETTER FROM THE CHAIRMAN

31 December 2009

I am delighted to present the third Annual Review of Terra Firma and its portfolio businesses.

Those who have read our previous annual reviews will know that Terra Firma has always believed that private equity adds value for all its stakeholders through the fundamental improvement of the operations of its investments. In the current environment this is truer than ever, and I therefore wanted to start my letter by providing you with some headlines on what we have achieved in our portfolio. We currently operate businesses in six industries: energy; motorway service stations; housing; agriculture; transportation leasing and entertainment. We have achieved significant milestones in each of our portfolio businesses:

- Energy: We are one of the largest independent investors in green energy in the world. In 2009, we were ranked third worldwide in M&A transactions in the sector, only behind state-owned entities from China and Norway. Through EverPower and Infinis, we now produce almost 500 megawatts of green energy per annum which provides enough electricity to power 550,000 households. In development, we have projects that will produce a total of two gigawatts of green energy, enough electricity to run nearly one million additional households. In addition, the natural gas supplied by PNG in Northern Ireland produces 25% less carbon dioxide than oil does and virtually no sulphur dioxide.

- Motorway service stations: Tank & Rast provides restaurant and toilet facilities to 500 million customers a year in Germany and is the fourth biggest caterer in the country behind McDonald's, Burger King and Lufthansa. We have increased the EBITDA over the last five years from approximately €125 million to €180 million and customer satisfaction has risen from 70% to 98%.

- Housing: We are the largest private landlord in Germany, through Deutsche Annington, and one of the largest in the UK, through Annington. In Germany, where we have responsibility for the maintenance of the properties, we have spent over €700 million in the last five years. In 2009, we opened a new customer service centre which has improved, on average, our availability to tenants by over 50%. Furthermore, we now provide a 24/7 hotline for urgent repairs which is an industry first.

- Agriculture: This year we purchased Consolidated Pastoral Company ('CPC'), the second largest beef producer in Australia with a collection of farms that covers an area of 14 million acres. Our 346,000 cattle are grass fed, providing protein for the Far East through more environmentally sustainable methods of farming than corn fed beef. Whilst it is early days, we are already focusing on how to invest additional capital to make more efficient use of our precious water resources thereby increasing the productivity of the land.

- Transportation leasing: We have transformed AWAS from a marginal player in the global aircraft leasing sector into one of the largest independent aircraft leasing businesses in the world, with a current fleet of over 200 aircraft and an order book of an additional 124 planes. With a highly diversified customer base of around 100 airlines in about 45 countries, AWAS' performance has been resilient in the face of a severe cyclical downturn in the aviation sector. More specifically, by December 2009, AWAS was achieving fleet utilisation of over 98%, and through the 2009 financial year AWAS' underlying earnings were maintained at 2008 levels. Both of these results are outstanding in the context of one of the most difficult years ever experienced by the aviation sector.

- Entertainment: Odeon is one of the largest cinema chains in the world and the largest in Europe. Since we acquired the company, EBITDA has increased by 25% and by the end of the first quarter of 2010 we will have converted over 350 screens to 3D. We believe that cinemas remain extremely good value in the entertainment sector and therefore continue to invest in expanding the chain where appropriate. In our other entertainment business, EMI, earnings increased from approximately £165 million to nearly £300 million over the first full fiscal year of Terra Firma's ownership. On the creative side, in the last 18 months, EMI has signed new agreements with over 200 artists and has continued to win numerous artistic accolades including 24 awards at the 2010 Grammys. While we are proud of our operational accomplishments at EMI, its capital structure has proven challenging. Unfortunately, despite great effort, Terra Firma did not reach agreement with Citibank on a restructuring of EMI's debt during 2009. Nonetheless, EMI continues to be focused on driving further operational improvement in the business.

In short, Terra Firma is busy creating value in essential businesses throughout the world in an extremely difficult environment.

Since the middle of 2007, we have found ourselves in a new financial period, facing substantial uncertainty. Many of the familiar relationships of the past thirty years have been wiped clean by the financial collapse that occurred in 2008. From 1980 onwards, we became accustomed to Western economies and societies being buoyed by strong financial markets, declining interest rates, low inflation, liberalised international trade and steady economic growth. While we suffered periodic recessions and even sharp market declines, these periods were relatively short-lived. An entire generation of business executives and investors built their careers and drew their experience from this three-decade period.

Throughout 2009, many investors tried to read the signs of economic stabilisation as the first indications of a sustained recovery. Understandably, they were drawing on experiences that had held true in the past. However, the imbalances we have created in the West through deficit spending and borrowing by governments and consumers have produced a period where the way forward looks unfamiliar. This uncertainty is compounded by increasing economic and political power in the East. In the government sector alone, total debt for many Western countries is approaching 100% of GDP or more, a level normally reached only at a time of major war. Before this crisis, the US was already running up debt to finance two wars and its health and retirement benefit programmes. Then the US was forced to finance the bank bailouts and stimulus plans, piling more debt on top of an existing debt mountain. The US deficit for 2010 is now estimated by the Obama Administration to be $1.55 trillion with annual deficits not declining below $700 billion for the foreseeable future.

As difficult as the situation is for the US, total public and private debt in the UK grew at a staggering 157% of GDP from 2000 to 2008 (over twice the US growth rate) according to a study released by McKinsey at the start of 2010. This puts the UK in a class with Spain, whose total debt grew at 150% of GDP. The UK will clearly suffer a long and painful period as it unwinds this level of leverage over the next decade. If it fails to clean up its balance sheet the UK could find itself cast into a category with the weakest states in Europe.

This situation is creating an increasingly fractious political and social environment in the West. The policy solutions for addressing the high levels of debt and the basic imbalances in the UK economy call for political courage. Unfortunately, the political horizon only runs to the next election and not to the five to ten years that will be needed to address the UK's problems. Social strains are opening up throughout the West. Income inequality, which grew steadily in the past 30 years, did not lead to social unrest because the rising economy masked its impact. However, in an era of persistently high unemployment, particularly among the young, these tensions are surfacing in the form of extreme anti-immigration movements and in the rise of fringe parties throughout the Western world.

Looking ahead, some believe the Western ship is headed towards Japanese-style deflation, while others, and I include myself in this camp, think we will in time encounter a serious bout of inflation. Is there a path between these two outcomes? Perhaps. In his excellent book, 'Money for Nothing', the economist Roger Bootle suggests that there is a chance that we can navigate a middle course and return to prosperity if we can avoid the protectionist trade policy that is currently gaining currency in both the US and the European Union. Protectionism does huge harm to consumers, taxpayers and to the economies of the world. In times of economic crisis the standard political reaction, however, is to become more protectionist. This would be a terrible mistake. The West needs to be receptive to China and the rest of the developing world and they, in turn, need to be open to the West and accept changes in currency rates. The world needs to encourage openness, flexibility and entrepreneurship.

So what does today's continuing uncertain climate mean for private equity firms? I see both challenge and opportunity. The challenge is that, until the last few years, returns could be enhanced by continually increasing leverage. However, given the current lack of credit, in order to generate returns private equity firms will need to deliver real value and improve cash flows to equity by making improvements in the operations or corporate strategies of their portfolio businesses. For those firms that can do this, there will be real opportunity.

Given my views on the economy and the capital markets, I believe that private equity firms should now be looking to reduce the level of leverage in their existing portfolio companies and be extremely careful about what leverage they use in new deals. This is why Terra Firma will be bringing down the level of leverage in our portfolio companies over the next few years. If the economy is stable and markets continue to go up, this approach will deliver good returns, but will not maximise them. However, it will reduce the risks to the portfolio if, as I expect, the Western economy fails to return to sustained economic growth for the next few years. In short, it will improve the risk-adjusted returns of our portfolio, and I firmly believe this is the right strategy in the current environment.

This is an environment that also creates great prospects to invest in specific companies and situations, where one can drive operational change and manage risk. As I said, in this regard Terra Firma is well positioned. We have long believed that delivering such operational improvement is absolutely key to the private equity value proposition. A strong operational team has always been central to our business and we continue to seek to expand our operational resources. Our operating team is vital not only to delivering strategic change, but also to pushing our companies hard. The difference between achieving poor or good performance is attention to detail and the pursuit of every opportunity to add value, be it expanding the Sanifair rest room concept to other businesses beyond the motorway service stations at Tank & Rast or sourcing low-cost turbines for EverPower. This attention to detail means that overall, and despite the economic environment, the total EBITDA of the Terra Firma portfolio grew by approximately 2% in 2009. To put this in perspective, while it is still too early to have year-end data for public companies, the reported EBITDA for the FTSE 250 companies for the 12 months to Q309 actually declined by more than 10% and by almost 25% for the Dow Jones 600 (Europe) companies. As you review the performance of our portfolio businesses, I hope you will agree that operational focus and control has made a huge difference to our portfolio's performance in these challenging times.

The sourcing of transactions in the current climate will be far more difficult for private equity than it has been over the last ten or so years due to the economic uncertainty we face. However, there will undoubtedly be interesting areas for private equity players who are prepared to analyse in depth industry trends and business dynamics and to engage in the operational details. There are economic sectors that are completely fragmented, lack market leadership and are amenable to bolt-on acquisitions. There are businesses that require sizeable capital expenditure or development capital and there are whole industries that have excellent prospects because they face growing markets despite the troubles in the West.

These types of opportunities are not readily apparent especially in the current economic environment. Favourable sector trends are often obscured or overlooked by the macroeconomic trends. Assets within an industry may look unattractive because they are improperly deployed. Analysing these themes over extended periods and then identifying specific investment opportunities has always been Terra Firma's approach. This is illustrated by our two most recent investments in agriculture and green energy, both of which are exciting areas that can benefit significantly from operational input. We thoroughly explored the key drivers in meat production and wind power for a considerable period of time, turning down numerous potential opportunities, before acquiring CPC and EverPower.

Bringing a unique view to sectors and initiating change in companies is fundamental to what we do at Terra Firma. We know that transition periods are volatile and uncertain and make it difficult to execute transactions and manage businesses. However, investments made and businesses managed during such uncertain times can be highly successful. As you read this report, I think you will find ample evidence that our approach is sound, and that our managers have the ability to build value in our portfolio businesses despite the highly challenging and unsure road ahead. I am immensely proud of their efforts.

Successfully acquiring, managing and selling portfolio companies is just part of the responsibility of a private equity firm to its investors. The alignment of interest between the private equity firm and its investors is an equally critical component of our business, especially in this challenging environment. In this regard, the Institutional Limited Partners Association ('ILPA') has issued Private Equity Principles addressing alignment, governance and transparency. I think these are, for the most part, a major step forward. For those readers interested, more detail can be found at www.ilpa.org. Many of these principles have been part of Terra Firma's modus operandi from the very beginning and it is for this reason that Terra Firma has decided to formally endorse them.

For example, the principles call for tighter distribution provisions for carried interest. Terra Firma's funds are structured on a 'fund as a whole' basis with cash hold-back arrangements. This ensures that our investors receive back all their contributed cash and an agreed return before Terra Firma is able to participate in the profits generated by its funds.

The principles also seek to refocus private equity firms on earning the majority of their compensation from the profits generated by the funds they manage rather than from earning excessive fee income. The principles therefore propose that private equity firms should not be paid ancillary fees such as 'monitoring' or 'transaction' fees. Terra Firma has always been of this view and so has never charged such fees. These principles also cover a number of governance issues including investment strategy consistency, the rights of investors, the operation of the fund Advisory Board and the independence of the fund auditor. Terra Firma has operated within many of these parameters since its inception.

The principles really reach the heart of the matter when they insist that the private equity firm should have substantial investments in the funds that it manages. This is unquestionably the best way to achieve alignment, and Terra Firma and its employees are among the largest investors in our funds.

One of the most important general principles set out by the ILPA is the importance of transparency. Terra Firma shares this belief as evidenced by this Annual Review and our quarterly reports to our investors. We believe all stakeholders in our businesses should understand the strategies and financial results of our portfolio companies, and that our investors should be able to fully comprehend the sources of our returns and valuations. However, while transparency is a laudable goal, it has to have sensible limits if private equity firms are to successfully manage their portfolio businesses. When transparency is taken to an extreme, it creates enormous damage as competitors and bankers are able to take advantage of portfolio businesses by simply reading the newspapers. The principles rightly reiterate that all proprietary information should be protected from public disclosure and Terra Firma fully supports this.

While many investors are taking a reasoned approach to private equity's current difficulties, I am afraid that government attitudes to private equity are threatening to become destructive and punitive, especially on the regulatory front. While I wholeheartedly endorse government efforts to try to limit systemic risk in the financial system, I am alarmed when regulatory change becomes retaliatory. The private equity industry did indeed make its share of mistakes during the boom years. However, I think it is fair to say that our errors never threatened the financial system and that we have borne our losses without any bailouts from Western governments. Even so, politicians on both sides of the Atlantic facing angry voters have decided that private equity is an inviting target.

2010 will not be an easy year for anyone in private equity and I think it will definitely be tougher than most people expect. I would therefore like to thank all of our investors for their continued support in these tough times. I am convinced that for those private equity firms such as Terra Firma which focus on building value in their portfolio businesses through strategic and operational change, 2010 will offer opportunities both to invest and to grow our portfolio companies.

Best wishes

Guy Hands

LETTER FROM THE CEO

31 December 2009

Since Terra Firma's creation in 2002, the private equity landscape has changed dramatically, from the difficult period of 2002 to 2004, through the boom period of 2005 to 2007 and on to the post-credit crunch challenges.

However, Terra Firma's strategy has remained consistent. We have continued to focus on basic industries with underpriced assets, where we can operationally and strategically re-position those assets to drive value. In the current uncertain times, such operational improvement has never been more important.

Over the past eight years, Terra Firma has grown substantially in terms of both assets under management and personnel. Since our inception, we have raised over €10 billion of third party capital from nearly 200 investors. We currently have ten portfolio businesses that operate in over 60 countries with revenues of €4.5 billion and our team has grown from under 70 people to around 100 people at the end of 2009.

Given this growth and the more challenging investment environment, we have made a number of changes to our organisation over the past 12 months.

In April 2009, we separated the Chief Executive Officer and the Chairman and Chief Investment Officer roles. Guy Hands became Chairman and Chief Investment Officer allowing him to focus on Terra Firma's investments, investors and its strategic development. At the same time, I took on the role of Chief Executive Officer with responsibility for managing Terra Firma's day-to-day operations.

In September 2009, Robbie Barr joined our organisation as Chief Financial Officer with overall responsibility for the financial management of Terra Firma and its portfolio businesses, two areas which had previously been managed separately.

Guy, Robbie and I constitute Terra Firma's senior management team along with Peter Cornell, Terra Firma's Head of Stakeholder Relations.

At the beginning of 2010, we decided to organise our investment teams into a larger number of smaller, more specialised teams in order to be better able to take advantage of the emerging environment for private equity deals. We therefore now have six investment teams each with a different geographic and sector specialisation. This re-organisation involved a number of promotions including three new Financial Managing Directors. Looking forward, we will continue to expand and develop our resources, in particular, adding to our already large team that is responsible for enhancing the operational performance of our portfolio businesses.

At Terra Firma, we are fully aware that it is our people who really drive our performance for our investors and we are determined that our staff are the best they possibly can be. We offer all our employees opportunities to further both their personal and professional development through a range of options, from on-the-job coaching through to courses to help gain new professional qualifications. We are also looking to the future in other ways, and in 2009 we started our Graduate Training Programme, hiring six graduates onto this two-year scheme.

Lastly, over the course of 2009, Terra Firma has taken on new office space in Guernsey. Terra Firma continues to expand its operations in Guernsey, and Guy and Peter are based there full time.

We strongly believe that these organisational changes are timely and will significantly optimise our performance as well as allow us to work more effectively and efficiently with our partners and stakeholders.

Yours sincerely

Tim Pryce

ABOUT TERRA FIRMA

WE ADD VALUE THROUGH BEING DIRECTLY INVOLVED IN THE COMPANIES WE BUY

€17 BILLION OF EQUITY RAISED

€13 BILLION INVESTED

€43 BILLION ENTERPRISE VALUE OF INVESTMENTS MADE

Terra Firma invests in asset-backed businesses in basic industries that are underperforming in some way. These portfolio businesses are then nurtured to a higher level of performance through a combination of strategic and operational change, sustained investment and improved management.

Terra Firma seeks to invest in basic industries which have underpriced assets and are not dependent on technological innovation or branding. We commit capital on the basis of our own analysis and research which often leads us to form opinions and develop strategies which are different from the market consensus. Whether by coming up with a different approach to the running of a business, finding solutions to problems which others have considered intractable or taking contrarian views on macro issues, Terra Firma has identified hidden value in many businesses.

We identify industry trends and sectors first and then find specific investment opportunities to which we can apply our ability to change businesses. This macro to micro approach of identifying investment opportunities underpins our investment strategy.

We add value through being directly involved in the companies we buy. We overhaul the business both strategically and operationally and often make significant changes to management. Making such fundamental changes in a business takes time, but a long-term approach to investment is vital in order to create successful, sustainable businesses.

1 A reference to 'Terra Firma' means, prior to 27 March 2002, the Principal Finance Group of Nomura International plc and post 27 March 2002, as the context requires, TFCP Holdings Limited, Terra Firma Capital Partners Limited, Terra Firma Capital Management (Guernsey) Limited, Annington Management Services (Guernsey) Limited and any of their affiliates

2 The information contained in this Annual Review is as of 31 December 2009

ABOUT TERRA FIRMA

TERRA FIRMA'S FUNDS MAKE INVESTMENTS IN SELECTED BUSINESSES ACROSS THE WORLD, BUT WITH A PARTICULAR FOCUS ON EUROPE

OUR INVESTORS

Terra Firma invests on behalf of pension funds, insurance companies, sovereign wealth funds and endowments from around the world. Our largest investors include pension funds and sovereign wealth funds – investing on behalf of pensioners and governments. The success of Terra Firma's businesses helps to provide enhanced income for all our investors, and Terra Firma is very aware of its fiduciary duty to these underlying beneficiaries.

OUR STRUCTURE

Terra Firma's funds are typically Guernsey Limited Liability Partnerships. Its active funds are Terra Firma Capital Partners II ('TFCP II'), Terra Firma Capital Partners III ('TFCP III') and Terra Firma Deutsche Annington ('TFDA'). Terra Firma's investors invest as Limited Partners and the day-to-day affairs of each partnership are managed by its General Partner in Guernsey. The General Partners make all investment decisions on behalf of the relevant funds.

Terra Firma's funds make investments in selected businesses across the world, but with a particular focus on Europe. These portfolio businesses currently operate in over 60 countries globally.

Terra Firma Capital Partners Ltd ('TFCPL') in the UK, with support from terrafirma GmbH in Germany and Terra Firma Capital Management Ltd ('TFCML') in Guernsey, provide investment advice to the General Partners, including sourcing and advising on investment opportunities and realisation strategies.

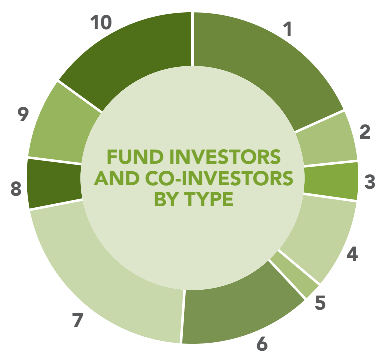
OUR PEOPLE

We have the full range of specialist skills necessary to pursue our differentiated investment strategy and strategically reposition businesses. Our highly diverse team of financial, operational, legal, tax and structuring experts allows us to identify opportunities that are overlooked by others and to capture hidden value in businesses. From the outset, our transaction teams are multi-disciplinary with each team having both geographic and sector specialisations which reflect the language skills and experience of the team members.

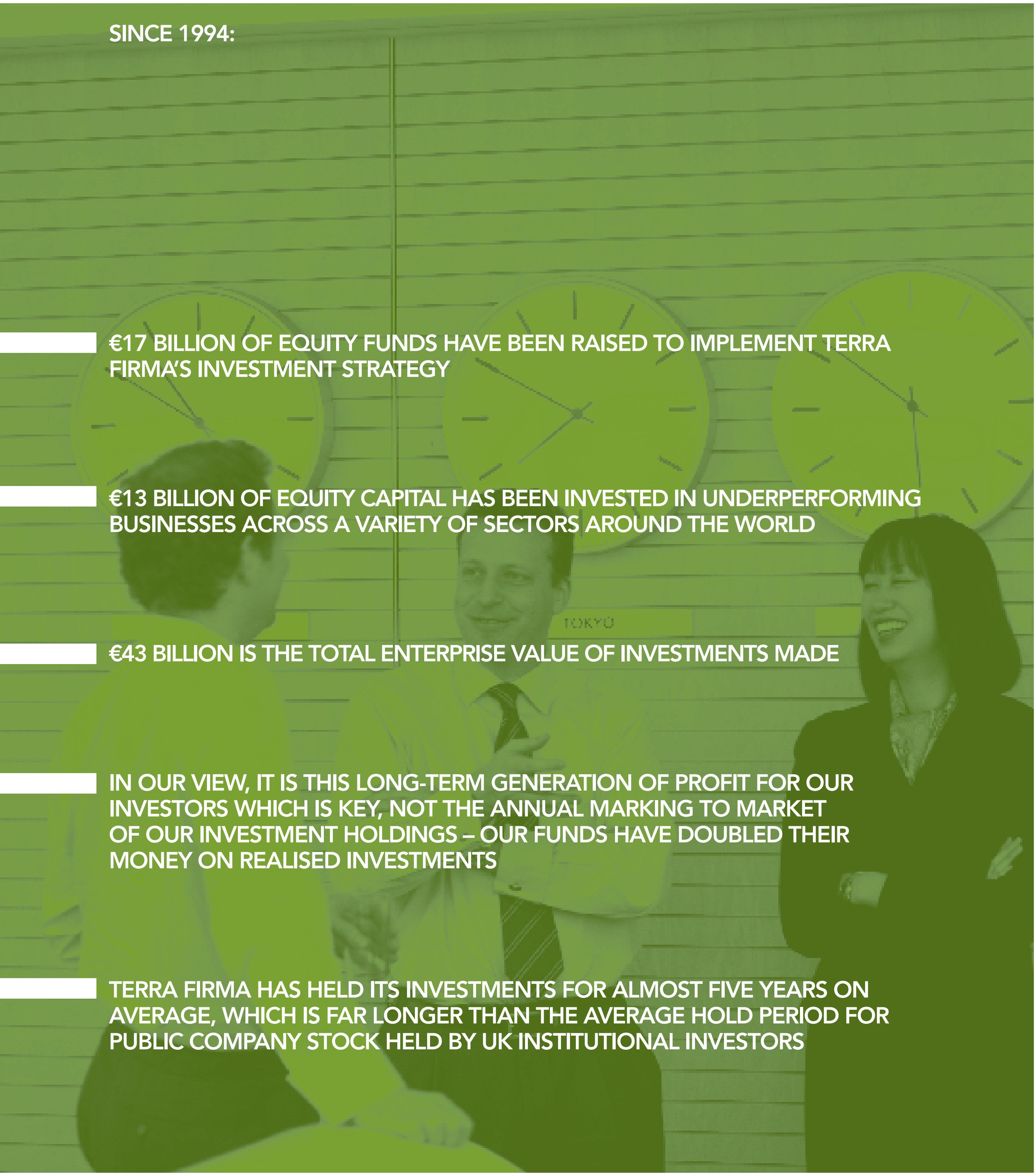
Operational expertise is fundamental to enhancing value within our portfolio businesses and in the current economic climate such skills are more important than ever. Our operational team has many years' experience in running and improving performance in numerous businesses and has strong strategic, operational and managerial expertise. Nevertheless, we are continuing to develop our in-house operational capabilities, including making a number of additional senior hires in this area.

The Terra Firma advisory team is made up of around 100 people in London, Frankfurt and Guernsey, drawn from 23 countries and speaking 24 languages. They come from a wide variety of backgrounds, including industry, finance, consultancy, private equity, law and accountancy.

1 USA 26%
2 Middle East 10%
3 UK 13%
4 Asia (excluding Japan) 5%
5 Europe (excluding UK) 15%
6 Australia 3%
7 Canada 10%
8 Terra Firma 5%
9 Japan 13%



1 Fund of Funds 19%
2 Private Pension Funds 4%
3 Endowment 4%
4 Insurance 9%
5 Corporate 2%
6 Government Investment Funds 13%
7 Public Pension Funds 21%
8 Terra Firma 5%
9 Family Trusts 8%
10 Banks/Financial Services 15%



SINCE 1994:

- €17 BILLION OF EQUITY FUNDS HAVE BEEN RAISED TO IMPLEMENT TERRA FIRMA'S INVESTMENT STRATEGY
- €13 BILLION OF EQUITY CAPITAL HAS BEEN INVESTED IN UNDERPERFORMING BUSINESSES ACROSS A VARIETY OF SECTORS AROUND THE WORLD
- €43 BILLION IS THE TOTAL ENTERPRISE VALUE OF INVESTMENTS MADE
- IN OUR VIEW, IT IS THIS LONG-TERM GENERATION OF PROFIT FOR OUR INVESTORS WHICH IS KEY, NOT THE ANNUAL MARKING TO MARKET OF OUR INVESTMENT HOLDINGS – OUR FUNDS HAVE DOUBLED THEIR MONEY ON REALISED INVESTMENTS
- TERRA FIRMA HAS HELD ITS INVESTMENTS FOR ALMOST FIVE YEARS ON AVERAGE, WHICH IS FAR LONGER THAN THE AVERAGE HOLD PERIOD FOR PUBLIC COMPANY STOCK HELD BY UK INSTITUTIONAL INVESTORS

OUR BUSINESSES

OUR BUSINESSES DELIVERED STRONG RESULTS IN 2009

Our businesses proved themselves to be resilient, cost-focused and operationally effective during 2009 by delivering strong results in another very challenging year.

Although there were signs of the beginnings of financial recovery towards the end of the year, consumer confidence remained low and high levels of debt, both at a government and individual level, had a detrimental impact on spending patterns and consumer demand.

Against this background, our portfolio businesses performed well as our investment and operational teams focused on protecting value and furthering the plans to move each business forward.

Two new businesses were acquired during the year – CPC and EverPower. Both of them are asset-rich businesses which will provide platforms for add-on acquisitions and scope for considerable development and further expansion.

EBITDA BY PORTFOLIO BUSINESS

	Currency	2008	2009	Change %
Annington[1]	£m	99	106	7%
AWAS	$m	699	652	(7%)
CPC	A$m	19	22	16%
DAIG	€m	473	480	1%
EMI[1]	£m	228	241	6%
EverPower	$m	(11)	(8)	27%
Infinis[1]	£m	39	49	26%
Odeon	£m	72	80	11%
PNG[2]	£m	25	24	(4%)
Tank & Rast	€m	188	186	(1%)

1 Based on 9 months to December 2008 and December 2009
2 EBITA

Working alongside management, we overhaul our business both strategically and operationally

FINANCIAL POSITION

In what remained a liquidity-constrained environment, the Terra Firma portfolio businesses did not have significant refinancing needs in 2009.

In the coming year, all the businesses will be focused on active balance sheet management and on reducing risk. Each management team will follow capital market developments closely during 2010 to ensure they capitalise on any attractive opportunities for re-financing.

VALUATIONS

We have always believed that private equity firms should be realistic and transparent about valuing their businesses on a mark-to-market basis. At Terra Firma, we engage in a thorough and detailed review of the valuations of our portfolio businesses annually or more frequently if circumstances merit, and have those processes audited by KPMG for our annual accounts.

Private equity valuations have three major elements: the operating performance of the portfolio business itself, the application of some multiple or discount rate from listed comparable companies or recent transactions to value that operating performance, and the effect of currency movements if the reporting currency of the portfolio business differs from that of the relevant fund.

The performance of Terra Firma's portfolio businesses in 2009 continued to be strong, with most companies showing year-on-year improvement and the overall EBITDA of the portfolio growing by approximately 2%.

While the public markets ended 2009 with higher valuations than at the end of 2008, they demonstrated dramatic volatility over the course of the year. For our portfolio businesses, whilst most showed an increase in their year-on-year market comparables, this was not uniform across the portfolio and in some industries the market indicators were down on the prior year.

In addition, the performance of some currencies against the Euro, the reporting currency of Terra Firma's funds, has also been volatile with Sterling and the Australian dollar strengthening by year end, and the US dollar declining.

Nearly all of the portfolio businesses' fair market valuations have increased since the end of 2008 but, as always, Terra Firma has been cautious in determining the year-end valuations for its portfolio. While fair market valuations are important guidelines, as private equity investments are illiquid, the most important valuation is the one attained when a business is ultimately sold.

Everyone at Terra Firma is therefore working to ensure that the final performance of our investments is as strong as it can possibly be.

Everyone at Terra Firma has one goal – to ensure our investments are as strong as they can possibly be

OUR BUSINESSES

14,000

people employed in our portfolio businesses

60

our portfolio businesses operate in over 60 countries

OPERATING PERFORMANCE

ANNINGTON

Annington reported higher rental and sales revenues for the nine months to December 2009 compared with the same period in 2008. Sales volumes were significantly better year-on-year as the appetite for Annington's homes improved earlier than expected. The business sold 466 units in the period. Rental income proved to be resilient and, with an increase in EBITDA for the period, the business is well positioned for 2010.

AWAS

AWAS did well in what was a challenging year with the global recession continuing to impact passenger traffic flows thereby creating a difficult trading environment for airlines. Falling lease rates hit revenues as lower Libor rates reduced variable rate lease rentals, but this was offset somewhat by lower interest expenses. Looking to 2010, the business will continue to protect value by focusing on its credit risks, the rapid re-leasing of assets and the active management of the aircraft.

CPC

CPC performed well in a year defined by extreme weather conditions in Australia and focused on improving the management of its herd and increasing the number of cattle its properties can support. In 2009, over A$12 million was invested in property improvements including upgrading water facilities and building new fencing. Moving into 2010, the business is hoping to benefit from an encouraging upward trend in live export prices and to integrate Wrotham Park, its latest acquisition, into its portfolio.

DEUTSCHE ANNINGTON

In a year of significant re-organisation, Deutsche Annington increased profitability as both top line revenue and EBITDA improved year-on-year. Over the last six months, the business has radically changed the way in which it interacts with its customers and deploys its resources. The long-term effects of these changes will be a leaner, more efficient organisation that is better placed to fulfil the expectations of all of its stakeholders.

EMI

EMI continued to grow EBITDA in 2009. Despite the slowdown in the advertising market and in music-based consumer goods, both the Recorded Music and Music Publishing divisions performed better in the nine months to December 2009 than the same period in 2008. Within Recorded Music, a robust performance by the Catalogue business was led by strong sales of the Beatles Remastered box sets. Music Publishing also performed well with lower income from the sales of CDs offset by stronger net publisher share levels.

EVERPOWER

EverPower was acquired in November 2009 and is a wind energy development and management company based in the US. With one wind farm fully operational and a portfolio of seven near-term development opportunities, the business is moving into the next stage of its development. The business was loss-making in the year to 2009 and will remain so while more of its portfolio of assets are developed and operations increase in scale. The business's future success depends upon investment in the development team and on capital expenditure for projects that are expected to deliver attractive returns.

INFINIS

Infinis performed well in the year-to-date as EBITDA was significantly ahead of the same period last year, primarily driven by new developments coming on stream earlier than planned and operational improvements. The acquisition by Infinis of Novera was an important development for the business as it will materially enhance Infinis' position in the onshore wind market as well as provide opportunities for significant synergies.

ODEON/UCI

Odeon/UCI remained focused on improving its customers' experience and continued its roll out of 3D screens and investment in seating, and retail food and beverage offerings. These investments combined with a well-received film slate, particularly in the last quarter of 2009, continued to drive admissions and EBITDA ahead of the prior year. The business is optimistic about the coming year given the strong upcoming film slate and an increase in the number of 3D screens across its portfolio.

PNG

PNG ended 2009 on a strong note by completing a refinancing in November and reporting EBITA significantly above budget. The business performed well in a challenging market and installed over 8,100 new gas connections during the year; a key performance indicator.

TANK & RAST

Tank & Rast delivered EBITDA in line with 2008 results, after making one-off adjustments. This is a good result given the struggling German economy and the fact that traffic volumes on the autobahns were lower than in recent years. The business implemented a number of cost-saving initiatives over the course of the year as well as initiatives to drive revenues and improve the quality and consistency of the facilities offered.

Since Terra Firma acquired Tank & Rast in 2004, it has focused on improving its customers' experience and enhancing the returns from Tank & Rast's considerable asset base. The case study presented overleaf demonstrates how Terra Firma has worked with Tank & Rast and its tenants to develop and implement value-enhancing initiatives which have transformed the business.

VALUE CREATION

WORKING TOGETHER TO ADD VALUE

THE TANK & RAST STORY

Since its acquisition by Terra Firma in 2004, Tank & Rast has been transformed from a real estate administration company into an innovative services business. Today, Tank & Rast has a portfolio of 378 restaurants, 345 petrol stations and 47 hotels on the German motorway. The company welcomes 500 million visitors a year across the German motorway system, is rated the best and most family-friendly service station network in Europe and is achieving customer satisfaction levels of 98 per cent. Its success is largely a product of the partnership and trust that has developed between Terra Firma, Tank & Rast and its tenants.

During its acquisition of Tank & Rast, Terra Firma developed a new strategic plan for the company. Terra Firma identified that Tank & Rast needed to refocus its business by giving the most successful tenants the opportunity to take over some of the less well-managed sites, improving the offering to its customers, and undertaking a significant long-term investment programme. Since day one, Terra Firma has worked closely with Tank & Rast to develop and implement that strategy for change.

CHOOSING THE BEST TENANTS

An important first step was for Tank & Rast to focus on its network of tenant relationships. The company leases its sites to a large number of small tenant operators in exchange for fixed and variable lease payments, so it is important that the right tenants are in place and that they have the support and resources they need from Tank & Rast. Terra Firma has ensured that this includes generous performance incentives designed to encourage a culture of continuous improvement. In recent years, Tank & Rast has steadily phased out its under-performing tenants and rewarded the most successful tenants with additional tenancies (for which they pay an additional fixed lease fee).

OFFERING ACCESS TO BRANDING CONCEPTS

For the tenants, one of the key advantages of working with Tank & Rast is having access to the company's new centralised services system and

> Its success is largely a product of the partnership and trust that has developed between Terra Firma, Tank & Rast and its tenants

co-operation agreements. The services provided include training, marketing, business consulting and the use of Tank & Rast's proprietary brands. Virtually all tenants are members of this programme and the most successful tenants are entitled to adopt the Serways brand for their site (see below) and enjoy the improved performance that comes with it.

Tenants are also able to take advantage of a variety of service 'modules' which have been developed by Tank & Rast to make it quicker and more cost effective to introduce new brands to a site. These include standardised restaurant offerings under the Gusticus brand, Lavazza and Segafredo coffee bars, Barilla pasta bars, and Serways shops and bakeries. For each of these services, Tank & Rast helps the tenant to implement the new format and pays for the associated investment where necessary. In exchange, Tank & Rast receives the benefit of the higher system revenue that these concepts generate, as well as higher fixed lease payments as a result of its additional investment in the site.

Tank & Rast also worked with its tenants to develop a continuous improvement programme that would benefit all parties. It focused in particular on operational costs and processes and the programme is now contributing to increased profitability across the sites.

INTRODUCING SERWAYS

However, improving processes was only one factor Terra Firma focused on to create the momentum for economic success – improving the quality of the company's products and services was also key. Working with Terra Firma, Tank & Rast conceived a sophisticated quality standard and a quality management programme. Sites were upgraded and given a new brand - Serways. Serways combines the words 'service' and 'motorways' and started to be rolled out in 2005. There are now more than 170 sites in the Tank & Rast network operating under the Serways label. As part of the Serways upgrade, many new initiatives have been introduced to increase customer satisfaction and deliver revenue growth.

In order to increase the amount of traffic that stops at a Tank & Rast site, the business introduced new signage on the motorway featuring the food and fuel brands that visitors would find at the next service station. This was a first in Germany and has contributed to an upturn in revenues.

For any service station, one of the best ways to turn visitors into customers is to offer a high quality sanitary system. Terra Firma worked with Tank & Rast to develop an economically viable concept. For decades, cleanliness had been an issue on German motorway sites but with the introduction of Sanifair, Tank & Rast and its tenants have turned a negative into a selling point. The customer pays an entrance fee, but in return gets a voucher that it is redeemable in the site shop or restaurants, another factor which is helping to increase the spend of each visitor. The Sanifair concept has been winning awards since its introduction, including 'Best public toilet in Germany 2008' from

the independent market research institution SWI, and has achieved top grades from ADAC, the German motorists' association. The Tank & Rast-patented system has been so effective, in fact, that it is now being operated in third-party businesses away from the motorway network, creating an entirely new income stream for Tank & Rast.

Sanifair was just part of a wider modernisation programme that Terra Firma initiated and which has seen Tank & Rast make improvements right across its network. As a result of Terra Firma's involvement, Tank & Rast launched a €500 million investment programme in 2005. This has included constructing new buildings and renovating existing properties to create more attractive sites for visitors.

FAMILY-FRIENDLY FOCUS

In 2009, one focus of Serways' activities was reinforcing the family-friendly image of the service stations. One year on, 50 sites – those most popular during holidays – have been branded 'SerwaysKiDS' and offer a whole range of facilities aimed at families with children including new indoor and outdoor playgrounds.

IMPROVING THE CUSTOMER OFFERING

Inside the sites' retail space, new partners have been introduced to enhance the food and shopping offering. By the end of 2009, Tank & Rast sites featured:

- More than 90 Burger King counters
- Around 10 McDonald's restaurants
- Around 40 Nordsee fish counters
- More than 200 Italian-style coffee bars, serving either Lavazza or Segafredo coffee and espresso
- Around 160 Barilla pasta bars

At the same time, Tank & Rast introduced a new and improved retail concept featuring a new shop design, better choice and a much more attractive presentation of the products. In the filling station stops, new coffee machines were installed and bistro-style tables and a good choice of snacks were introduced to encourage visitors to turn a fuel stop into a longer break.

TERRA FIRMA'S IMPACT

It is clear that Tank & Rast has undergone a big change since being acquired by Terra Firma. Its commitment to customer focus, service and quality has led to happier customers, industry awards and more profitable sites. Customer satisfaction has risen from 70% in 2003 to an impressive 98% in 2009. Together with Terra Firma, Tank & Rast is focused on maintaining this momentum and continuing to work with its tenants and other partners to find new ways to make its service stations deliver for visitors, tenants and owners alike.

€500m
INVESTMENT PROGAMME LAUNCHED IN 2005

47%
INCREASE IN EBITDA SINCE TERRA FIRMA OWNERSHIP

98%
CUSTOMER SATISFACTION RATING

LONG-TERM ALIGNMENT

TO BE EFFECTIVE, INCENTIVE STRUCTURES MUST BE LONG TERM IN NATURE

At Terra Firma, we believe passionately in the partnership between us and our investors

Private equity funds are typically structured as partnerships between the investors who provide capital and the private equity fund that invests that capital. At Terra Firma, we believe passionately in this partnership.

Whilst not perfect, the long-term nature of private equity is reflected in its reward structure. The long-term alignment of interest between investor and private equity employee has always been of the utmost importance for the private equity model and, after recent excesses, we are now seeing attempts to replicate this alignment in other parts of the world's financial sector.

Terra Firma's compensation for its employees reflects this alignment, especially amongst its senior personnel where compensation is focused on carried interest. Carried interest is performance-based and only results in rewarding the Terra Firma team if investors receive a return in excess of 8% per annum over the life of the fund. A fund typically has a 10-14 year life and carried interest is typically paid in the later years when the majority of a fund's investments have been realised and investors have received back their investment plus the majority of their profits. When carried interest payments are payable to Terra Firma, they are held in reserve until five years after the fund closed before being released to the team.

We believe that this type of incentive structure is vital in ensuring that private equity employees are focused, not only on the careful selection of investments, but also on nurturing each investment to exit, in order to ensure maximum return for the investors and ultimately the transaction team.

While carried interest is an important way of aligning the interest of a private equity manager with its investors, it is no substitute for the manager actually investing in its funds. Each time we have raised a fund, nearly all of our employees have invested capital. Overall, we have committed more than €500 million to our funds and are the largest investor in our latest fund, TFCP III. At Terra Firma, our belief in the future success of our investments is demonstrated by investing our own personal savings, as well as our careers and reputations, in them.

As stated earlier in this report, the ILPA has issued Private Equity Principles which address alignment, governance and transparency. Many of these principles have been part of Terra Firma's modus operandi from the very beginning and it is for this reason that Terra Firma has decided to formally endorse them.

Robbie Barr in London

TRANSPARENCY AND STAKEHOLDER INTERACTION

PRIVATE EQUITY IS BECOMING MORE OPEN AND TRANSPARENT

Quentin Stewart, Arjan Breure in Guernsey

Information is vital, particularly in uncertain economic times, so broadening the understanding of who we are and what we do is even more important in the current climate. The businesses Terra Firma invests in touch the lives of many people and we are mindful of the social responsibilities that our work brings with it. It is essential that all our stakeholders – customers, employees, investors, suppliers, unions, governments and trade bodies – understand our intentions, plans and results, and how our activities and portfolio businesses contribute to the wider community.

Terra Firma has been a strong supporter of the application of the guidelines established by the Walker report in November 2007 and we are pleased that our efforts have been acknowledged by the Guidelines Monitoring Group ('GMG'), chaired by Sir Michael Rake.

We remain committed to following – and in many areas exceeding – the Walker guidelines. The two Terra Firma businesses that were required to report according to the guidelines, Odeon and Annington Homes, have complied fully. Furthermore, an additional six Terra Firma companies have committed to the guidelines on a voluntary basis. In total, we manage eight of the 60 firms who either meet the criteria or have committed to them on a voluntary basis; more than any other private equity firm. In the coming year, the latest additions to our portfolio, CPC and EverPower, will also comply on a voluntary basis.

Our approach to transparency is not entirely altruistic. We take the view that a progressive approach to transparency gives us a competitive advantage by making us more attractive to potential staff, to companies that we wish to invest in, and to governments and unions with whom we interact. Of course, to our investors, who importantly provide the capital that we invest, the financial workings of our businesses have always been entirely visible. Nonetheless, we continue to seek to improve the reporting to our investor base.

We are committed to communicating clearly and openly with our investors and stakeholders

OUTLOOK FOR 2010

THE FORTHCOMING YEAR IS LIKELY TO REMAIN TOUGH FOR PRIVATE EQUITY FIRMS

Although deal volume in 2010 is likely to remain low, we believe that there are both sectors and strategies that will provide excellent investment opportunities for private equity firms that have operational expertise

Guy Hands, Tim Pryce, Julie Williamson in Guernsey

The general economic environment has stabilised from the catastrophic situation in which the world appeared to be at the start of 2009. However, although GDP growth has resumed, the private and public sectors in many Western economies remain massively over-leveraged and are still benefiting from government stimuli that will have to be removed at some point.

This continuing uncertain climate has several implications for private equity firms. First, volatility is likely to make private equity exits more challenging than people are hoping. Second, on the acquisition side of the business, last year's increase in stock prices means that sellers will have high price expectations. Third, future private equity deals will largely be driven by operational changes that create value within a business. All of this means that challenges for private equity will continue in 2010.

Going forward, private equity firms will have to improve cash flows to equity by making improvements in the operations or corporate strategy of a business rather than simply through leverage as was the case for many transactions in the boom years. A private equity firm's operational skills are therefore more fundamental than ever to creating value. At Terra Firma, we have long believed that delivering such operational improvement is absolutely essential and we add value through involving ourselves directly in the companies we buy. A strong operational team has always been a key part of our business and is vital not only to delivering big picture strategic change, but also for optimising company performance. We do not look to make quick exits from our businesses but rather we seek to hold them to benefit from the changes we have made. As we target companies that often require a significant amount of change in terms of strategy, operations and/or management, this invariably means that we invest for the longer term as we recognise that such changes take time to implement.

Although deal volume in 2010 is likely to remain low, we believe that there are both sectors and strategies that will provide excellent investment opportunities for private equity firms that have operational expertise. These include sectors that are fragmented and are amenable to bolt-on acquisitions as well as roll up strategies, businesses that require sizeable capital expenditure or development capital, companies that require hard, intensive operational involvement to make them more efficient and businesses that will benefit from growth in the Chinese or Asian markets.

To find the types of opportunity that can really deliver value, private equity firms will have to identify trends and sectors that are attractive. They will need to understand the factors driving an industry and how these macro themes affect the underlying players in that industry. This approach of identifying macro themes first and specific opportunities second has always been Terra Firma's approach.

The forthcoming year is likely to remain tough for private equity firms, but there will be opportunities for those such as Terra Firma that have a disciplined investment strategy and which focus on building value in their portfolio businesses through strategic and operational change.

Phillip Burns in Guernsey

SENIOR PERSONNEL

A PRIVATE EQUITY FIRM'S TRUE ASSETS ARE ITS PEOPLE AND WE ARE HUGELY PROUD OF OUR ENTIRE TEAM

THE SENIOR MANAGEMENT TEAM CONSISTS OF:

Guy Hands who is the Chairman and Chief Investment Officer of Terra Firma and is based in Guernsey. Within this role, Guy focuses on the origination of deals in Western Europe, the transactions executed by the group and the maximisation of value in Terra Firma's investments.

Tim Pryce who is the Chief Executive Officer of TFCPL in London and has overall responsibility for its day-to-day management and specific responsibility for the Specialist and Support Teams. This includes ensuring that TFCPL is appropriately resourced in order to provide advice to the General Partners.

Robbie Barr who is the Chief Financial Officer of TFCPL with overall responsibility for the financial management of both Terra Firma and its portfolio businesses. This involves working closely with the CFO of each portfolio business on financing needs, strategic developments and the financial control of the business, as well as advising the General Partners on the funds' financial and investor reporting.

Peter Cornell who is Head of Stakeholder Relations for Terra Firma, based in Guernsey, and is responsible for Terra Firma's key relationships with investors, governments, regulators and unions. Peter represents Terra Firma on a number of private equity associations and works especially closely with the largest investors in Terra Firma who make up the advisory boards of the Terra Firma funds.

Guy Hands
Chairman and Chief Investment Officer

Guy Hands is Terra Firma's Chairman and Founder. He is the Chief Investment Officer and sits on the boards of the General Partners.

Guy started his career with Goldman Sachs International where he went on to become Head of Eurobond Trading and then Head of Goldman Sachs' Global Asset Structuring Group. Guy left Goldman Sachs in 1994 to establish the Principal Finance Group (PFG) at Nomura International plc which acquired 15 businesses with an aggregate enterprise value of €20 billion. Guy led the spin out of PFG to form Terra Firma in 2002.

Guy has an MA in Politics, Philosophy and Economics from Mansfield College, Oxford University. He was elected a Global Leader of Tomorrow by the World Economic Forum in 2000 in recognition of his achievements. Guy is also the President of 'Access for Excellence', a campaign based at Mansfield College, Oxford, which promotes the broadest possible access to higher education in the UK. He is a Bancroft Fellow of Mansfield College, Oxford and a member of the University of Oxford Chancellor's Court of Benefactors. Additionally, Guy is a Fellow of the Duke of Edinburgh's Award Scheme.

Guy is married with four children. His interests include photography, gardens and his family.

Tim Pryce
Chief Executive Officer

Tim is a founder member of Terra Firma and its Chief Executive Officer. He chairs the board of TFCPL and its Investment Review and Remuneration Committees.

Tim joined Terra Firma as its General Counsel. In this role, he built and led the legal, structuring, tax and compliance teams. He was also a member of its Investment Advisory and Remuneration Committees and increasingly played a role in the day-to-day management of the firm.

Tim began his career practising law at Slaughter and May after which he worked for GE Capital, Transamerica and the Principal Finance Group of Nomura International plc.

Tim is a solicitor and has an LLB (English law) and an Associateship from King's College, London and a Maitrise (French law) from the Sorbonne, Paris. Tim speaks French in addition to his native tongue, English.

Tim and his partner enjoy travel, skiing and the arts.

Robbie Barr
Chief Financial Officer

Robbie is Terra Firma's Chief Financial Officer with overall responsibility for the financial management of Terra Firma and its portfolio businesses.

Prior to joining Terra Firma in 2009, Robbie held a number of senior positions at Vodafone Group Plc including the role of Group Financial Controller and was most recently regional CFO for Vodafone's businesses outside Western Europe.

Robbie is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA in Mathematics from Magdalen College, Oxford University.

Robbie is married with three children. His interests include tennis, golf and skiing.

Peter Cornell
Managing Director, Stakeholder Relations

Peter's role sees him focusing on Terra Firma's key relationships with investors, regulators and governments. Peter sits on the General Partners' Boards and chairs the Advisory Boards.

Peter joined Terra Firma in 2007. Previously, he was Global Managing Partner of Clifford Chance, one of the world's leading international law firms with over 3,500 lawyers in 30 offices.

In his career at Clifford Chance, Peter managed offices in Asia, the UK, the US and continental Europe.

Peter has an honours degree in Economics and History from the University of Exeter. He was elected 'Lawyer of the Year' by Legal Business in 2007. He is a Council Member of the BVCA and vice-chairman of the BVCA's Global Buyout Committee.

Peter is married with four children. His interests include skiing, surfing, golf and tennis.

Chris Barnes
Managing Director, Legal and Tax

Chris has responsibility for the Legal and Tax team. He joined the group in 2001 and has worked on the structuring and execution of many of Terra Firma's investments.

Prior to Terra Firma, Chris worked in the Private Equity tax group at Arthur Andersen.

Chris is a Chartered Accountant and has a Double First in Economics and History from Cambridge University.

Chris is married with three children and is a keen Chelsea fan.

Arjan Breure
Financial Managing Director

Arjan plays an active role in deal origination and portfolio value optimisation. He focuses on commercial real estate, tele-communications, retail and local utilities with overall responsibility for Central Europe.

Prior to joining Terra Firma in early 2008, Arjan was Head of Asset Management at Citi Property Investors, Terra Firma's co-investor in Deutsche Annington. He previously worked for Cherokee Investment Partners, and in the New York offices of Prudential Securities Merchant Banking and Rabobank International.

Arjan has an MBA from INSEAD and a Masters in Economic History from the University of Utrecht. In addition to English and German, Arjan speaks Dutch, his native language.

Arjan is a struggling golfer and enjoys travel and music.

Phillip Burns
Financial Managing Director

Phillip was involved in the acquisitions of WRG and Shanks' UK landfill business and was responsible for Deutsche Annington's acquisition and financing of Viterra. Phillip focuses on healthcare, wholesale financial services, non-passenger transportation, residential real estate and local utilities, with overall responsibility for Northern Europe.

Prior to joining Terra Firma in 2002, Phillip was a Vice President in Investment Banking with Goldman Sachs.

Phillip graduated from the University of Michigan with a BSc in Aerospace Engineering before graduating from Syracuse University College of Law with a Juris Doctor, summa cum laude.

Phillip enjoys skiing, sailing, running and cycling.

Damian Darragh
Financial Managing Director

Damian has completed a wide range of deals at Terra Firma, including the sale of WRG, the spin-out and development of the Infinis renewable energy business, the acquisitions by Infinis of Summerleaze Re-Gen and Novera Energy Plc, the refinancing of Phoenix Natural Gas and the acquisition of EverPower.

Damian specialises in the energy and infrastructure sectors, with a particular focus on renewable power as well as having general responsibility for Southern Europe.

Damian joined Nomura in 1993, following his graduation from the University of Manchester and L'Institut Superieur D'Electronique du Nord with a degree in Electronic Engineering Science (M.Eng), where he worked with Terra Firma's forerunner, Nomura's Principal Finance Group. Following a sabbatical when he completed a Sloan Fellowship MSc at London Business School, he re-joined Terra Firma in 2005.

Damian is fluent in French in addition to his native language, English.

Damian is married with three children. He enjoys skiing, golf, scuba diving and watching football.

Karen Dolenec
Financial Managing Director

Karen has been involved in a wide variety of the group's investments including many of the various pub companies, the acquisition and partial sale of Tank & Rast and the recent investment in CPC.

Karen has responsibility for agriculture, basic resources, mining, chemicals, food and beverages, and local utilities. Her regional speciality is Rest of the World which includes North America, Asia and Canada.

Prior to joining the group in 2001, Karen spent some years in both the M&A advisory business and the private equity arm of JP Morgan in New York.

Karen has a BSc in Economics, and a BA in Asian and Middle Eastern Studies, from the University of Pennsylvania and an MBA from INSEAD. She is fluent in Taiwanese and English.

Karen is married with two children. She enjoys travelling, scuba diving and entertaining friends.

Michael Hewett
Managing Director, Investor Relations

Michael's role at Terra Firma is to manage the Investor Relations function, including direct responsibility for European, Middle East and Australasian investors.

Prior to joining Terra Firma in 2004, Michael was Principal and a Director at Atlantic Pacific Capital. He previously spent eight years at Morgan Stanley and was a Vice President in its Private Equity Group.

Michael has an MA Hons in Philosophy, Politics and Economics from the University of Oxford.

Michael is married with two sons and a daughter. He is a passionate skier, an improving tennis player, but still a hopeless golfer.

Bill Miles
Managing Director, Investor Relations

Bill is co-responsible for the investor relations function in the Americas. He joined Terra Firma in 2002 as Terra Firma was beginning the fundraising for its first externally raised fund. Prior to joining Terra Firma, Bill was Managing Director and Co-Head of Fixed Income Sales and Trading at First Union Capital Markets (now Wells Fargo Bank). From 1982-1997, he was a Vice President, Fixed Income at Goldman Sachs. Bill has a BA in Political Science from Vanderbilt University. Upon graduation, he was commissioned and served in the US Navy; primarily in south east Asia. He retired as a Lt.Commander after seven years on active duty and in the Reserves.

Bill is married with two daughters. The Miles family are avid boaters and spend much of their leisure time on the waters in South Florida and the Bahamas.

Mayamiko Kachingwe
Financial Managing Director

Mayamiko was closely involved in the simultaneous acquisitions of Odeon and UCI, and he led both the AWAS and the Pegasus investments. Mayamiko has responsibility for retail financial services, insurance, passenger transportation, support services and local utilities. This is in addition to his regional responsibility for French-speaking Europe, the Middle East, Africa and Pakistan.

Prior to joining the group in 2001, Mayamiko worked in the London office of the Boston Consulting Group where he focused on strategy development in the financial services and industrial goods sectors.

Mayamiko holds a BA in Politics, Philosophy and Economics from Oxford University. After being awarded a Rhodes Scholarship, he went on to complete an M.Phil. and D.Phil. in Economics at Oxford and subsequently won a Prize Research Fellowship in Economics.

Mayamiko speaks French as well as English.

Mayamiko lives with his partner and their three children. His interests include football and golf.

Mike Kinski
Operational Managing Director

Mike has been involved in a number of the group's investments including some of the pub companies, WRG and Shanks' UK landfill business, and East Surrey Holdings. He is currently the Chairman of the Odeon/UCI Cinema Operating Company and his other portfolio responsibilities include Infinis, CPC and EverPower.

Prior to joining the group in 2000, Mike was Group Chief Executive Officer of Stagecoach Holdings Plc (FTSE 250), and Chief Executive Officer of Power Distribution and Water Operations for Scottish Power Plc (now part of Iberdrola, an IBEX 35 company). This included the position of Chairman and Chief Executive Officer of Manweb Electricity Plc and Chairman and Chief Executive Officer of Southern Water plc. He was also a government appointed non-executive director of the UK Post Office from 1998 to 2002.

Mike has an HNC in electrical and electronic engineering from Lanchester Polytechnic (Coventry) and an MBA (with distinction) from Warwick University. He is a visiting professor and honorary doctor at Middlesex University and a visiting professor at both Brunel and Reading Universities.

Mike is married with two children. When not spending time with his family, he enjoys gardening and has a particular interest in football.

Lorenzo Levi
Operational Managing Director

Lorenzo has been involved in a number of the group's investments including Odeon/UCI Cinemas, East Surrey Holdings and AWAS. He is currently on the boards of AWAS, PNG and Odeon/UCI Cinema Operating Company.

Prior to joining the group in 2002, his career ranged from sales management and corporate development roles for companies such as IBM (an S&P 500 company) and Nortel Networks to strategy work for management consultants Bain & Co.

Lorenzo is an Italian national. He has a BSc in Electrical Engineering and a BSc in Economics from MIT as well as an MBA from Harvard. Lorenzo speaks English and French in addition to his native tongue, Italian.

Lorenzo is married with two children. He enjoys football, listening to music and travelling.

Pat O'Driscoll
Operational Managing Director

Pat joined Terra Firma in January 2009 direct from her role as Chief Restructuring Officer in EMI where she led the reorganisation of the Recorded Music business and worked with the team on developing the business's strategic direction. Her portfolio responsibilities include EMI Music Publishing and Recorded Music and Tank & Rast.

Prior to joining EMI in 2007, Pat was the Chief Executive of Northern Foods plc, a FTSE 250 company, where she led the restructuring of its portfolio. She is also a Non-Executive Director and Chairman of the Remuneration Committee and on the board of Xchanging plc (FTSE 250).

Pat holds a degree in Sociology from Exeter University and is a Fellow of the Royal Society of Arts. She is a Trustee of the Cherie Blair Foundation for Women, a member of Forum UK and acts as a mentor to a number of younger women in business.

Pat enjoys literature and theatre as well as good food and wine.

Quentin Stewart
Financial Managing Director

Quentin has expertise in the agricultural, energy, utilities and waste management sectors. He led the investments in WRG, Shanks' UK landfill business, East Surrey Holdings, CPC and EverPower. He oversaw the sale of WRG, establishment of Infinis and its subsequent acquisition of Novera as well as various sales from East Surrey Holdings. Quentin was also involved in the acquisition and sale of William Hill and the businesses in the Thorn Group.

Quentin is now focused on deal origination and works with all six investment teams to develop Terra Firma's origination capability with regional responsibility for Rest of the World excluding Western Europe.

Quentin is a Chartered Accountant and holds a degree in Business from De Montford University Leicester. Prior to joining the group in 1997, Quentin worked for Arthur Andersen.

Quentin is married with one daughter. He enjoys sport, film, music and art.

Julie Williamson
Financial Managing Director

Julie led the team advising on the investment in Tank & Rast and was responsible for its refinancing in 2006 and the partial exit in 2007. Julie was also heavily involved in the group's pub businesses. From September 2007 to October 2009, Julie was seconded on a full-time basis into the EMI Recorded Music business as Group Chief Investment Officer.

Julie is responsible for hospitality, leisure, media and local utilities, with regional responsibility for the UK and Ireland.

Prior to joining the group in 1998, Julie worked for Nomura heading the legal team that provided legal risk analysis and transaction execution support to the group. Prior to that, she was a partner in the Banking department with the law firm of Winthrop & Weinstine.

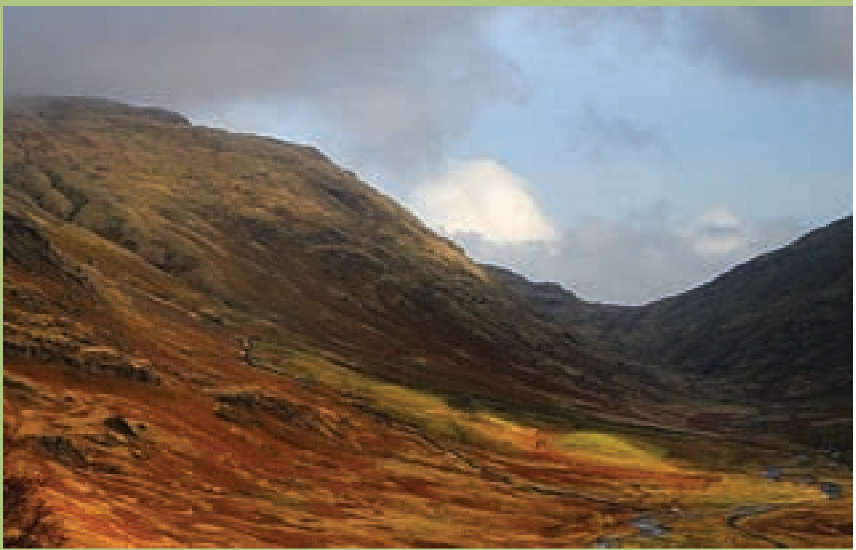
Julie has a Bachelor of Business Administration, majoring in Finance from the University of Iowa and has a Juris Doctor also from the University of Iowa. She is a member of the Minnesota State Bar Association.

Julie is married with one son and enjoys skiing and mountain hiking.

2 Portfolio Business Review

INTRODUCTION

TERRA FIRMA'S INVESTORS PROVIDE CAPITAL WHICH IS USED TO ACQUIRE AND INVEST IN UNDERPERFORMING BUSINESSES. YET CREATING VALUE IN THOSE BUSINESSES REQUIRES MUCH MORE THAN CASH; IT DEMANDS ENERGY, STRATEGY AND LONG-TERM COMMITMENT



While shareholders in public companies can sell their shares on a daily basis and frequently do not hold them longer than several months, Terra Firma's investors commit their capital for over ten years. Every business we invest in has this stable, ongoing backing. Our investment funds are structured this way because we recognise that both time and commitment are vital to deliver fundamental change and long-term success in the kind of underperforming companies in which we invest.

STRATEGIC CHANGE

Once acquired, Terra Firma's portfolio businesses are nurtured to a higher level of performance through a combination of strategic change, improved management and sustained investment. This transition requires an intense, ongoing and long-term partnership between Terra Firma and the management of each portfolio business. As part of the commitment from Terra Firma, nearly all Terra Firma's employees invest their own money in the funds, so their personal, professional and financial success is tied to the success of our portfolio businesses. Similarly, the management of our businesses is compensated based on the long-term success of each business. It is perhaps no surprise that the Terra Firma team and our management teams, who are often selected from different industries in order to bring fresh thinking to a sector, are passionate – even a little obsessive – about our businesses. This alignment of interest is fundamental to the way Terra Firma does business.

The next few pages give an overview of our portfolio businesses and how we are working together to create a successful, sustainable future for each business.

ANNINGTON

ANNINGTON IS A HOUSING BUSINESS THAT ACQUIRED AROUND 57,600 HOMES FROM THE UK'S MINISTRY OF DEFENCE

ANNINGTON

Annington rents the majority of its properties to the Ministry of Defence (MoD) to provide family accommodation for married Service personnel. The MoD has responsibility for the maintenance and upkeep of the properties it leases. As and when the MoD determines that vacant properties are surplus to requirements given the constraints of planning for future troop redeployments, it returns them to Annington. Annington then renovates and sells these houses to the public, including current and ex-Service personnel, at competitive prices. Annington also privately rents a number of properties and occasionally redevelops sites or builds new homes

60% OF ANNINGTON HOME SALES HAVE BEEN TO FIRST-TIME BUYERS

16,000 HOMES SOLD IN ENGLAND AND WALES

£13m DISCOUNTS PROVIDED TO SERVICE AND EX-SERVICE PERSONNEL

ANNINGTON

Annington is working with the MoD to find creative solutions to its housing needs

INVESTMENT RATIONALE

Following detailed due diligence of the UK residential housing market, Terra Firma believed that rent and house price increases would substantially exceed the forecasts at the time of the acquisition. Based on detailed analysis of demographic, military and political trends, it looked likely that the MoD would release surplus properties for redevelopment and sale earlier than it had agreed at the time of acquisition.

Terra Firma predicted that more cash would be generated more quickly than many other bidders were expecting and reflected this in the price it paid to the MoD. At the same time, it was also clear that the rental cash flow from the estate, along with proceeds from the future sale of properties, could be securitised to help fund the initial investment in the portfolio.

CHALLENGES FACED

The biggest single challenge facing Annington continues to be the uncertainty in the housing market. The market has recently shown some signs of improvement; however, the availability of mortgages remains the single largest obstacle to recovery, particularly for Annington which operates predominantly at the first-time buyer end of the market.

Another ongoing challenge for Annington relates to the release of surplus properties from the MoD. Annington has no control over the timing of the release of properties as the MoD's housing requirement is dependent on the long-term defence strategy which dictates troop movements and deployments. With the wars in Iraq, Afghanistan and a number of other commitments abroad, management of housing requirements has become even more complicated for the MoD.

Historically, Annington's primary business has been the refurbishment and sale of previously-owned homes. However, the significant deterioration in the UK housing market, in terms of both volume and prices, continues to be mitigated by the stable rental income from the MoD. Annington's robust financial structure is expected to enable the group to meet the challenges of the current uncertainties in the housing market.

YEAR END: 31 MARCH	YTD Dec 08	YTD Dec 09
Rental business revenue	£123m	£124m
Sales business revenue	£20m	£54m
Costs	(£44m)	(£72m)
EBITDA	**£99m**	**£106m**
Net interest expenses – external[1]	(£112m)	(£129m)
Loss before depreciation and tax	(£13m)	(£23m)
CAPEX	(£37m)	(£14m)
Units sold	110	466
Average sales price per unit	£167,317	£116,519

1 Net interest expenses – external includes accrual interest on zero coupon bonds

ACHIEVEMENTS

One of Annington's key strengths has been the efficiency of its sales operation. Since 1996, the MoD has returned 16,826 units to Annington, of which more than 16,000 have now been sold to the public. In normal market conditions, Annington attracts first-time buyers with pricing that makes mortgage payments comparable to rental payments. Together with the use of various financial incentives, it aims to make home-buying a realistic option for those who have previously been priced out of the UK's property market. On average, more than 60% of those buying an Annington home have been first-time buyers and historically 30% have been sold to Service or ex-Service personnel. On average, 35% of properties have been sold to people who the UK Government classifies as 'key workers'.

Annington predicted the end of the housing boom for some time before it occurred and has spent the past several years rationalising the business in readiness for falling release numbers and the anticipated decline in sales levels. Annington's operating model is based on a small core team that uses outsourcing as a major tool so a major restructuring exercise has not been necessary, although some level of downsizing has occurred. Staff numbers and operating structures have been reduced over the last three to four years through gradual cuts and natural wastage. Annington has also been able to offset some of the challenges in the market by taking advantage of increased demand from investors and bulk users such as housing associations which are suffering from lack of supply, principally because the development pipeline has dried up.

These combined actions have meant that adapting to the current environment has been a lot less painful for Annington than for many in the property sector. Furthermore, in January 2008, Annington reached a point where it was no longer reliant on house sales for cash flow to service its loans. Debt service and operating expenses are now fully covered by rental income received from the MoD.

CURRENT FINANCIALS

For the nine months to December 2009, Annington reported rental revenue of £124 million and generated a further £54 million of sales revenue from the sale of 466 units. Sales volumes were ahead of budget as a result of the earlier than expected improvement in demand. Sales stocks are currently low, but are expected to be replenished with the handover of 406 units by the MoD in Q1 2010 and the announcement of a further release of 699 units.

The business has a strong balance sheet which should enable it to take advantage of selective acquisition opportunities that might arise in the current market. With its long-term financing structure in place, the business has no new near-term funding requirements.

ANNINGTON

DEVELOPMENT PLAN

In the current climate, Annington will continue to manage its business tightly. Stock levels are low, but it will continue to refurbish and sell available properties to reduce its debt levels as appropriate.

The robustness of its rental income will enable Annington to adapt to the new economic environment, which itself may well afford the business some future opportunities allowing complementary investments at attractive valuations. The business continues to selectively build its investment portfolio of residential rental units by acquiring properties that exceed threshold return criteria. Annington is also working with the MoD to find creative solutions to its housing challenges.

COMPANY STRUCTURE

Annington Homes manages the core business of renting approximately 40,500 properties to the MoD and the refurbishment and sale of homes on the open market. Since 1996, Annington has sold more than 16,000 properties to the public.

Annington Rental Holdings owns 1,435 flats and houses let on individual and bulk leases on the open market. It manages a further 322 properties on behalf of other Group companies.

Annington Developments seeks opportunities for infill or wholesale re-development on all Annington sites. The business's priority is to maximise added value through obtaining planning consent and then either to sell the land, carry out infrastructure works, carry out construction or partner with developers.

MANAGEMENT

James Hopkins, Chief Executive Officer

James joined Annington Homes Ltd as Chief Executive in 1998. Prior to joining Annington, James was Managing Director of Hanson Land Ltd, a property development and management company established to undertake the £1 billion Hampton 'new town' development south of Peterborough. James was previously at Hanson plc, where he performed a number of roles involving asset management and property development, including directorships of both subsidiary and joint venture companies.

Barry Chambers, Finance Director

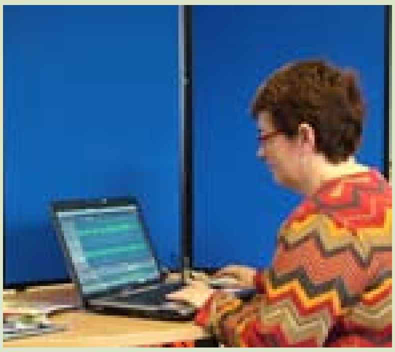
Barry was appointed Finance Director of Annington Holdings plc and other Annington group companies in 1998. His responsibilities span all financial matters, liaising with shareholders, IT systems development, administration and rent reviews. Barry joined Annington from Rouse Kent Ltd, a special purpose vehicle established to construct a large mixed-use development on 650 acres at Kings Hill, Kent. Prior to that, he was Group Financial Controller at Rosehaugh plc.

Nick Vaughan, Commercial Director

Nick joined Annington Property Ltd as Commercial Director in January 2001 and was appointed to the Annington Holdings plc Board in April 2001. Previously, Nick was Financial Analyst and Programme Manager at Annington Management Ltd. He joined from Rosehaugh plc, where he was Finance Director of a number of group companies.

Nick Vaughan, Barry Chambers and James Hopkins

BEDTIME STORIES THAT CAN BE HEARD THOUSANDS OF MILES AWAY



Storybook Soldiers is an initiative which makes it possible for soldiers serving in foreign war zones to preserve at least one cherished family tradition – reading their children a bedtime story. The project was created by Kirsty Alderson and Rosemary Meeke and allows Service personnel to record a story so that their child can hear their voice whenever they want to.

Kirsty explains, "I just thought the underlying benefit was so blindingly obvious. Being parted from their children is a consequence of the job that soldiers do, but they are very aware of what they are leaving behind."

To take part, a serving parent will record a bedtime story that begins and ends with a personal message. Volunteer editors from Storybook Soldiers then use a specialised computer program to remove background noises from the original recording (which is often made on the edge of a battle zone), before adding music and other sound effects to give the story a polished edge. The result is a professional production, but more importantly the recording helps to maintain that special link between parent and child and makes the distance that separates them seem a little smaller. While the story is recorded with children in mind, the CD often becomes a reassuring part of life for all the family. "The soldiers put so much care into it because they know how much it matters," says Kirsty. Since 2007, Storybook Soldiers has sent out more than 2,500 CDs, and the scheme now covers the whole Army, with 30 stories a week arriving home for their volunteers to start editing.

Annington has provided both financial and technical assistance to the project since 2007, including the donation of additional digital storage capacity and the provision of professional IT training for the administrative team. James Hopkins, Chief Executive of Annington, says, "From the start, I have been hugely impressed with this project and the enthusiasm and dedication of those who run it. What they have achieved is remarkable, especially considering it is not a charity and receives no formal funding – it is volunteers who do all the work. And the effect on morale is obvious."

AWAS

AWAS IS ONE OF THE WORLD'S LEADING AIRCRAFT LEASING COMPANIES

AWAS was acquired by Terra Firma in 2006 and was followed by the 2007 acquisition of Pegasus Aviation Finance Company.

The combined business now has over 200 owned aircraft and a delivery pipeline of 124 aircraft from Boeing and Airbus


$5bn
ASSET VALUE OF OWNED AIRCRAFT
100
AWAS LEASES ITS PLANES TO AROUND 100 AIRLINES
4.1
YEARS AVERAGE LEASE EXPIRY

AWAS

Value has been protected by an aggressive focus on minimising the costs of default

INVESTMENT RATIONALE & REDEFINITION OF STRATEGY

Since its acquisition by Terra Firma, AWAS has been repositioned to build long-term value by pursuing a differentiated strategy within the aircraft leasing market, focusing on maximising returns and managing risk through a combination of both aircraft leasing and trading. This strategy is highly distinctive as it emphasises a rigorous, investment-led approach to all leasing and asset trading decisions looking particularly at return on invested capital. This is complemented by proactive asset trading based on a proprietary and differentiated view of prospective movements in the aircraft cycle and also on the credit and equity capital markets. In addition, the strategy seeks to grow the overall level of assets under management by taking advantage of the aviation cycle.

Alongside the redefinition of strategy, the investment in AWAS and Pegasus has involved a high degree of operational change. Following the initial acquisition of AWAS, that change was heavily focused on centralising the business in Dublin and significantly increasing its operational efficiency. The follow-on acquisition of Pegasus posed the different, but equally challenging, operational task of integrating a business of equivalent size and taking advantage of the synergies to reduce unit costs in as short a timescale as possible.

ACHIEVEMENTS

From an operational perspective, the rationalisation of the AWAS business was completed within 12 months of acquisition. The subsequent merger with Pegasus released significant synergies and the integration was managed to ensure that the 'best of both' businesses was retained. In fact, the integration of AWAS and Pegasus was completed early in 2008 ahead of budget and generated cost savings ahead of plan. As a consequence of the improved operational efficiencies in the business, it has been possible to increase materially the number of assets under management.

In order to deliver the shift in strategic direction, Terra Firma has improved the overall quality of the management of the business as well as introduced disciplined, investment-led analysis and decision making. Under Terra

YEAR END: 30 NOVEMBER	2008	2009
Revenue	$783m	$744m
Costs	($84m)	($92m)
EBITDA	**$699m**	**$652m**
EBIT[1]	$484m	$407m
Net interest expense – external	($294m)	($223m)
Operating PBT	**$190m**	**$185m**

1 EBIT excludes a $293m non-cash impairment charge (2008 – $622m)

Firma's ownership, there have been new appointments to the position of CEO and CFO, as well as the creation of new positions and functions reflecting the dramatically increased emphasis placed on investment analysis and the management of credit risk.

As the business transitions through the downward swing of the cycle, value has been protected by an aggressive focus on the minimisation of the costs of default. While it is clearly uncertain when the current cyclical downswing will end, the business has a new order book which positions it well to emerge with growing profitability when the cycle moves into an upswing phase.

CURRENT FINANCIALS

Trading conditions in 2009 have been extremely challenging for airlines as the global recession has had a sharply negative impact on overall volumes of passenger traffic, as well as the revenue yields per passenger. In consequence, airlines have been reporting significant losses through the year, and inevitably there has been downward pressure on aircraft lease rates and asset values.

In this environment, AWAS has remained heavily focused on managing the credit performance of its portfolio, aiming to minimise both the number and costliness of airline defaults. It is also focused on planning for the remarketing of aircraft that are scheduled to come off lease over the next 12 months.

As a result of these efforts, the business performed well in challenging conditions with Operating PBT ending the year in line with budget although slightly down on the previous year. The main driver for the slight deterioration in 2009 was higher credit charges.

AWAS

Lorenzo Levi, Werner Seifert, Mayamiko Kachingwe, Frank Pray

DEVELOPMENT PLAN

As the business looks forward to 2010, the management team and Terra Firma are taking a very cautious view on the trading outlook, bearing in mind the macroeconomic risks and the potential for a stall in any economic recovery.

The business's development plan therefore remains very focused on protecting value through active management of credit risks, rapid redeployment of assets after repossession or scheduled lease expiry and using in-house technical expertise to maximise residual values of assets at the end of their useful life. Alongside this, the business sees a number of opportunities in the current soft market to grow the business through acquisition.

Aside from opportunistic acquisitions, AWAS will take delivery of five new Airbus A330 aircraft in the first half of 2010: three of them under lease contracts to Singapore Airlines, one of them contracted to Spanish carrier Iberworld and one to Hawaiian Airlines. In the second half of the year, another A330 is due for delivery to Hawaiian Airlines and one A320 will be delivered to Jetstar Pacific. These acquisitions will replenish and grow the asset value and earnings of the fleet.

Given that the current recovery in the financing markets is still fragile, the business's liquidity and funding requirements remain under ongoing review by AWAS management and Terra Firma.

MANAGEMENT

Frank Pray, Chief Executive Officer

Frank joined AWAS as its Chief Executive and President in September 2006. Frank was previously Managing Director of CIT Aerospace International, where he managed CIT's international aircraft portfolio. Frank joined CIT in 1997 as Vice President of Marketing. In 1998, he formed CIT Aerospace's New Aircraft Programs Group and took the position of Senior Vice President of Marketing and Sales.

Alan Stewart, Chief Financial Officer

Alan joined AWAS as Chief Financial Officer in February 2009. Previously, Alan was Group Finance Director at WHSmith plc, a role he had held from early 2005. Prior to that, Alan was Chief Executive at Thomas Cook UK Ltd and sat on the Thomas Cook AG Board.

Angus Williamson, Head of Risk Management

Angus Williamson joined AWAS in April 2007 as Head of Risk Management. Angus has over 18 years' experience in aviation having worked for the International Bureau of Aviation and most recently as Head of Investment and Business Development at AerCap.

Robbie Barr, Alan Stewart

Nils Steinmeyer, Alan Stewart, Robbie Barr, Frank Pray, Lorenzo Levi

HELPING TO REBUILD A COMMUNITY

Corporate social responsibility has long been one of the core pillars of the AWAS ethos and 2009 saw the company continuing to support local and international programmes with a particular focus on education and child welfare.

One of the initiatives that the company supported this year was the completion of a school building project in Chontay, Peru. Chontay is located two hours from Lima in a valley on the ancient Inca Trail. The town is desperately poor, with limited irrigation and sewage facilities, sporadic electricity supply and inadequate infrastructure.

Following an earthquake in 2007, the town's school was damaged and had to be demolished, leaving classes from kindergarten through to sixth grade with nowhere to take their lessons. The reconstruction began with the help of a community-minded architectural firm and made great progress, but stalled due to lack of funds. After two years of hard work, the main structure had been completed, but the building still needed fixtures and fittings such as doors, windows, lights and furniture.

The sum needed was $6,500 and AWAS's Dublin and Miami offices set themselves the task of raising it.

Through activities including the Christmas raffle, AWAS staff raised $7,200, every cent of which went to fund the project. As well as helping to finance the completion of the building work, the AWAS team has provided hands-on assistance and contributed to other parts of the project. This included members of the AWAS team visiting Peru to lend a hand building a garden for the school and constructing a shrine to the village's patron.

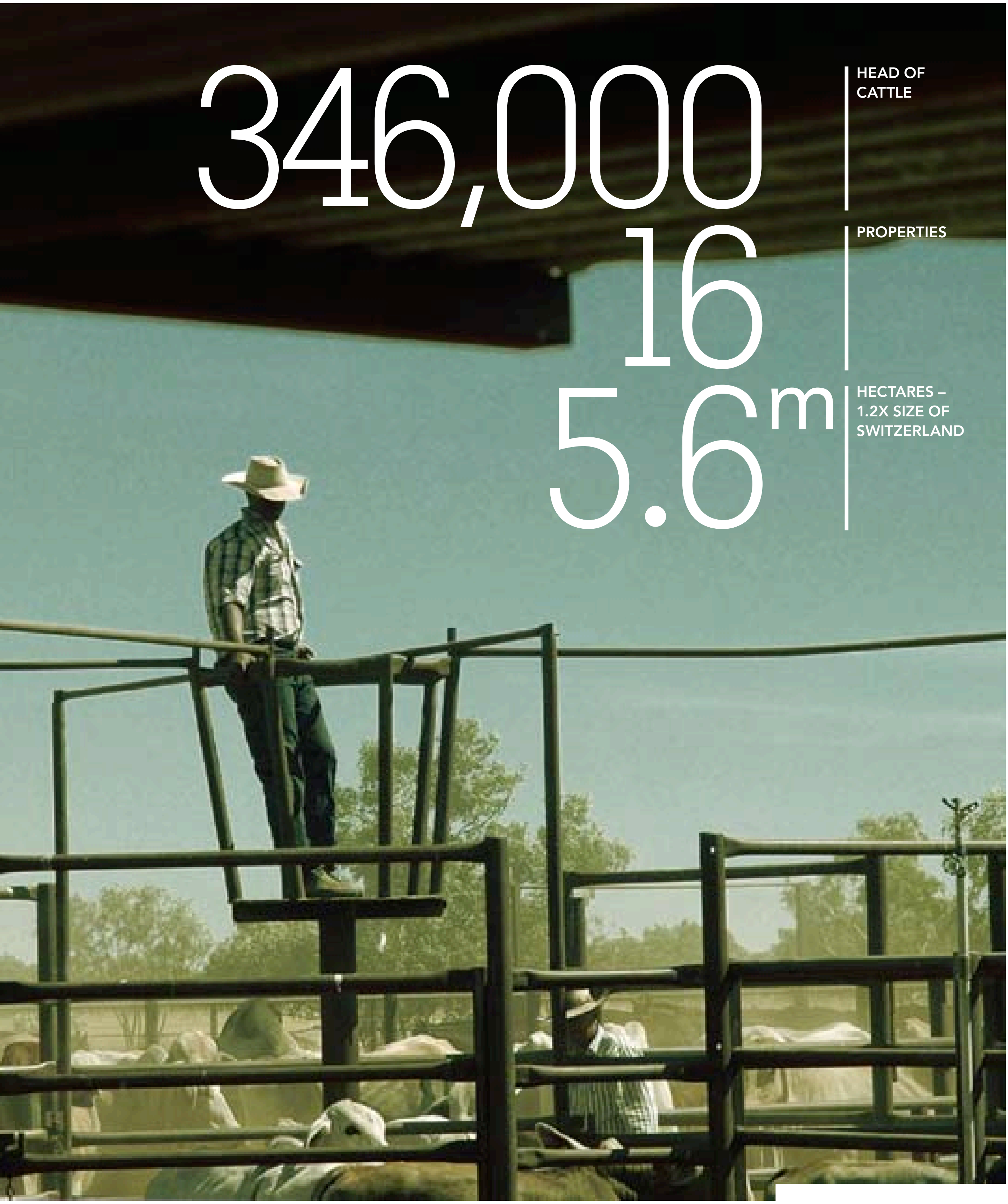
The AWAS team also provided local adults and children with 'Emergency First Response' training and helped to supplement the staff of only two teachers by providing classes to the children in art, history, geography and English during their stay.

This is the company's first international project outside Africa and AWAS is actively looking for other worthwhile projects it can support over the next few years.

CPC IS THE SECOND LARGEST BEEF PRODUCER IN AUSTRALIA

CPC is the second largest beef producer in Australia with 346,000 head of cattle. Its operations include breeding and grass fattening cattle across its 16 properties, which are located in the northern part of Australia. The properties together comprise 5.6 million hectares, which represents around 0.7% of Australia's land mass. CPC also has a 50% interest in a feedlot operation in Indonesia

Consolidated Pastoral Company Pty Ltd


346,000
HEAD OF CATTLE
16
PROPERTIES
5.6m
HECTARES – 1.2X SIZE OF SWITZERLAND

CPC

An A$12m capital expenditure programme has been implemented for property improvements

INVESTMENT RATIONALE

The strategic rationale underlying Terra Firma's acquisition of CPC in April 2009 was driven by a number of global macroeconomic themes, in particular population growth, a shift in Asian diet towards higher protein consumption and a limited supply of productive land.

Recent years have seen significant increases in the demand for food. Population growth and GDP growth are combining to create increased demand for higher value protein. Many of the most promising areas of demand are in Asia which are geographically well-located for Australian exports.

While demand for beef is increasing, supply is constrained due to the limited availability of suitable land and access to water combined with competing demands for these resources through urbanisation and cropping for biofuels. Investment in the agricultural sector has been limited and capital expenditure on developing land or increasing productivity has been low.

Australia is attractive as a source of beef supply because of the quality and cost efficiency of its grass-fed cattle and its ability to reliably supply large quantities into the Asian market.

STRATEGY

The business is led by Chairman and CEO Ken Warriner, a well-regarded industry leader with around 40 years of experience in the beef cattle industry. When Terra Firma acquired CPC, Ken took the opportunity to roll his existing minority interest in the company, staying invested alongside Terra Firma.

Terra Firma, together with Ken, has identified a number of potential operational opportunities that will improve the business in the coming years. These range from growing the earnings of the business through selective capital investment to finding higher value activities for parcels of land within the portfolio.

Approximately 70% of the company's sales are made into Indonesia which is a large and rapidly growing market. CPC will continue to focus on further developing its position in this important market, whilst also exploring opportunities in other export markets. Furthermore, CPC is actively searching for potential add-on acquisitions in

YEAR END: 31 DECEMBER	2008	2009
Revenue	A$41m	A$44m
Costs	(A$29m)	(A$30m)
Cash EBITDA	A$12m	A$14m
Purchase and non-cash livestock adjustments	A$7m	A$8m
EBITDA	**A$19m**	**A$22m**
Bank interest	(A$19m)	(A$15m)
CAPEX	(A$4m)	(A$11m)

Australia at attractive prices to grow the business and complement the company's portfolio of properties.

ACHIEVEMENTS

In keeping with its growth strategy, two additional properties were acquired by CPC during 2009. The more significant of these was Wrotham Park, a large property in the far north of Australia which added in excess of 55,000 cattle to the CPC herd. Agreement has also been reached to acquire a third property which, subject to the appropriate regulatory clearance, is expected to complete in the first half of 2010.

During the year, a capital expenditure programme of A$12 million was implemented to enable CPC to proceed with a significant number of property improvements. These were designed to increase the overall herd carrying capacity of the existing property portfolio by over 17,000 head. The programme had been substantially completed by the year end and included building new fencing, clearing overgrown land, increasing the availability of water by drilling bore holes plus building water pipes, tanks and troughs.

CURRENT FINANCIALS

CPC reported EBITDA for the year of A$22 million, which was broadly in line with Terra Firma's acquisition plan and up 16% from the previous year. Revenue of A$44 million included the sale of over 42,000 live cattle to markets in Indonesia. Domestic sale prices throughout the industry were adversely affected during the year by drought conditions. However, CPC was able to use its large property portfolio to move cattle from the drought-affected areas to other properties, rather than having to force-sell cattle at unattractive prices in 2009, and it is anticipated that CPC will be able to sell them at better prices in 2010. Management retained tight control of costs throughout the year.

CPC

Geoff Warriner, Jak Andrews, Ken Warriner

Ken Warriner

DEVELOPMENT PLAN

In addition to the steps that have been taken to increase the number of cattle that can be supported by its properties, CPC has a number of initiatives underway to improve the management of its herd.

This includes improving productivity through the deployment of more sophisticated herd management techniques in areas such as maximising births (brandings) and minimising deaths (mortality). Nutrition, timing of joining bulls with cows and pregnancy testing are also some of the factors which will be more closely monitored.

MANAGEMENT

Ken Warriner, Chairman and Chief Executive Officer

Ken has been Chairman and CEO of CPC since 1983. He lives at CPC's flagship property, Newcastle Waters. Previous to this role, Ken was General Manager of King Ranch Pastoral Company from 1970 to 1979, after which he became partner of Ashburton Pastoral Company. Ken was Chairman of the Consolidated Meat Group in the 1990s, as well as Chairman of Road Trains Australia and of Australian Fuel Distributors from 1980 to 2000.

Jacqui Cannon, Chief Financial Officer

Jacqui Cannon is CPC's Chief Financial Officer, responsible for all aspects of financial control, analysis and planning together with tax and treasury matters. Jacqui joined CPC in 1992, initially working as an accountant based at Newcastle Waters. Jacqui has subsequently worked in a series of progressively more senior finance roles until eventually becoming Chief Financial Officer. Jacqui has extensive experience of all aspects of CPC's operations.

Geoff Warriner, Chief Operations Officer

Geoff Warriner joined CPC on a full-time basis at the beginning of 1985. Two years later, he was given the responsibility of managing the initial conception of the Newcastle Waters Brahmam stud. In the early 1990s, Geoff managed breeding properties in the Northern Territory and backgrounding properties in Queensland. In 1993, Geoff was appointed to manage Carlton Hill Station in Western Australia, where he doubled the holding capacity over the subsequent nine years. In 2000, Geoff became Pastoral Inspector of CPC's Northern Territory and Western Australia holdings, comprising some 200,000 head of cattle.

PROTECTING THE ENVIRONMENT FOR EVERYONE'S BENEFIT

With kind permission from Chris Tzaros

Lake Woods and the grazing lands around it are vital to CPC's business, providing an ideal area for cattle all year round. However, productivity is only part of the land's importance. This area is also environmentally and socially significant. As the largest fresh water lake in the Northern Territory, Lake Woods is recognised as a Wetland of International Importance and is a popular cultural and recreational area for local people.

CPC is committed to ensuring the ongoing sustainable management of the area for everyone who uses it, and in 2009 signed a formal agreement to that effect with the government of the Northern Territory.

By world standards, Lake Woods is relatively undisturbed with little disruption to the natural eco-system and CPC is endeavouring to keep it that way. This means maintaining the native habitat in a condition that will support the large and diverse resident and migratory waterbird populations. With nationally threatened species such as the Australian Painted Snipe being spotted at the lake, this is clearly a habitat worth protecting.

Floodwater flows are the lifeblood of the wetlands of the arid centre of Australia and CPC is one of only two landholders that control the catchment of the lake. One of the main threats is the build-up of weeds and the company has put a detailed weed management strategy in place that is already showing good results. Best practice grazing is being used to maintain water levels and limit the impact of CPC's activity on them.

The lake has a deep significance to the indigenous people of the region and CPC is working with local traditional owners to make sure their connection to the land is maintained. The organisation is also providing opportunities for local indigenous people to participate in activities associated with the management of the lake that could lead to employment opportunities.
As for the future, apart from carrying on the good work already under way, CPC is working with conservation agencies to fund research to develop our understanding of this unique environment and ensure its protection for future generations.

DEUTSCHE ANNINGTON

DEUTSCHE ANNINGTON IS GERMANY'S LEADING HOUSING COMPANY

Deutsche Annington Immobilien GmbH (DAIG) was created in 2001 when Terra Firma acquired 64,000 apartments from the German Federal Railways. Through add-on acquisitions, the company has more than tripled in size. DAIG is now the number one residential landlord in Germany by number of units (192,000) with a proven track record on privatisation.

DAIG's investment model and philosophy centres on providing socially responsible, tenant-focused property management and widening the opportunities for people to buy their own homes. One of the most efficient operators in the industry, DAIG also has successfully applied its management approach to newly-acquired portfolios of residential property

DEUTSCHE ANNINGTON


No.1
RESIDENTIAL LANDLORD IN GERMANY BY NUMBER OF UNITS
€156m
MODERNISATION AND MAINTENANCE WORK UNDERTAKEN IN 2009

DEUTSCHE ANNINGTON

DAIG has invested approximately €70 million to reshape the company to better meet the needs of its customers and to improve efficiency

INVESTMENT RATIONALE

DAIG's original housing portfolio was occupied mainly by existing or retired railway workers and their families who were entitled to stay in the housing as part of their contractual employment rights. This ongoing rental stream gave the business a strong and predictable source of revenue. Furthermore, rents were substantially below market levels and could be modestly increased to improve cash flow. The apartments were owned and managed by ten regional housing companies which had historically operated independently on a not-for-profit basis. As such, there was enormous scope for the portfolio to be run more efficiently by integrating the companies into one platform and introducing market-based processes and strategy.

German residential real estate is an intrinsically low-risk asset class and the business also benefited from strong asset backing with a geographically diversified portfolio. The original portfolio was supplemented by the acquisition of Viterra in 2005 (which owned or managed approximately 150,000 apartments) creating a total of over 12 million square metres of rented space.

Today, DAIG is the largest residential housing management company in Germany and has proven its ability to acquire new portfolios and successfully integrate them into its operations.

STRATEGY

DAIG has a clearly defined strategy which enables it to generate long-term profitable growth. This strategy has proven to be successful in different market conditions and has solidified DAIG's market leadership over the past few years. The business model focuses on three core elements:

Long-term, value-enhancing property management: As a responsible landlord, DAIG offers its customers a competitive range of properties with excellent service. The group has established an industry-leading platform for the management of its portfolio and is constantly striving to further improve service quality, customer focus and efficiency.

Strategic acquisitions of residential housing portfolios: DAIG aims to further expand its portfolio through the opportunistic purchase of suitable residential properties. The company therefore pursues opportunities for further acquisitions on the basis of a disciplined approach to valuation.

Selective and socially responsible privatisation via retail sales of units: DAIG offers property ownership at affordable prices. DAIG only sells carefully selected units, often to its tenants, but also to investors. DAIG involves tenants and local authorities in this process at an early stage.

ACHIEVEMENTS

DAIG's strategy has been highly successful even in the recent more challenging environment and the group has proven its ability to create sustainable growth in the German property market. It is now the prime consolidator of housing portfolios in the German market, with the company's acquisition platform sustaining year-on-year growth by opportunistically replenishing the portfolio and building an ever-growing rental asset base that provides stable, recurring cash flows.

Over the past few years, DAIG has pursued a very careful acquisition strategy due to generally unfavourable conditions in the wholesale housing market. Some investors acquired portfolios of property at unsustainable valuations with heavy debt burdens in the hope that property prices would rise. We believe that this inflated market has now come to an end and that DAIG is well-positioned to

YEAR END: 31 DECEMBER	2008	2009[1]
Rental business gross rents	€751m	€763m
Rental business costs	(€290m)	(€299m)
Sales business revenue	€137m	€150m
Sales business costs	(€117m)	(€128m)
Other	(€8m)	(€6m)
Operational EBITDA[2]	**€473m**	**€480m**
Bank interest	(€255m)	(€257m)
Earnings before depreciation and tax	€219m	€223m
Overall vacancy rate	3.9%	5.9%
Acquisitions signed	763	4,467

1 2009 results are subject to final audit approval
2 Operational EBITDA excludes exceptional costs

acquire portfolios opportunistically as speculative buyers experience a more difficult market. An example is the acquisition of a portfolio of approximately 4,500 units in Berlin in November 2009.

DAIG continues to make every effort to strengthen relationships with its tenant communities, improve the quality of the living environment and provide ancillary benefits to its customers. For example, the company negotiates special rates for its tenants with companies with relevant products and services. These include discounts for cinemas, energy providers, an online pharmacy and tenants can use a car-sharing offer from Deutsche Bahn at special rates. DAIG also provides a consultancy service, Annington Wohnen Plus, for older tenants, which is designed to help elderly people live independently in their own homes for as long as possible.

Furthermore, the tenant privatisation programme created by DAIG has given thousands of German citizens the opportunity to own their own homes for the first time, and the company has now sold more than 51,000 homes since its inception.

SETTING NEW STANDARDS IN THE INDUSTRY

In 2008, DAIG announced a comprehensive strategic initiative to raise further the level of customer satisfaction across the whole group. Since conception through to the end of 2009, DAIG has invested approximately €70 million to reshape the company to better meet the needs of its customers and to improve efficiency. These plans, which DAIG believes will set new standards within the German residential housing industry, were successfully implemented in 2009 and will be optimised throughout 2010.

The plan provided for a complete overhaul of the group's structure and organisation. The core features of the new organisation are a tenant centre, a nationwide hotline for all tenant questions, a service centre for handling standard procedures such as utility charges and a new, powerful mobile service organisation employing state-of-the-art communication technology that will provide tenants with fast and flexible on-site service. The new organisation will enable DAIG to streamline processes as well as accelerate and simplify response procedures.

CURRENT FINANCIALS

Despite the challenging external environment and the major internal reorganisation, DAIG's financial performance further improved in 2009. Based on preliminary results, DAIG again increased its profitability, with EBITDA up by 1.5% to €480 million compared with the prior year.

As expected, vacancy rates during the year were higher as a result of the transition to the new organisational structure and new systems. At year end, however, vacancy levels had stabilised and ended the year better than expected at 5.9%. The impact of the higher vacancy rates in 2009 has been more than offset by cost savings generated by the restructuring programme and moderate increases in rents (within the statutory limits). As a result, full year rental business earnings were 1% ahead of 2008.

Within the sales business, the year-end earnings result of €22 million marked a further improvement over the prior year. 2008 saw a significant block sale of a distressed portfolio in East Germany which made a big contribution to the sale results due to its low carrying value. Nonetheless, through a higher volume of individual privatisation sales as well as further cost savings, DAIG was able to improve the sales performance in 2009.

DEUTSCHE ANNINGTON

Wijnand Donkers, Manfred Püschel

DEVELOPMENT PLAN

DAIG continues to invest in enhancing the attractiveness of its properties to tenants. In 2008 and 2009, a modernisation and maintenance programme was undertaken throughout the portfolio, the main focus of which was on energy saving measures such as the thermal insulation of walls and roofs and the fitting of new windows.

While the restructuring programme had some negative effects on the vacancy rate in 2009, DAIG expects to return to its normalised letting rate of over 95% by the end of 2010. This strong letting performance, together with DAIG's broad customer base, will continue to ensure strong cash flow generation with little fluctuation. This cash flow will be complemented by selected privatisation sales of properties.

DAIG has access to significant committed capital funding and Terra Firma believes the business is in a strong position to make the most of the continued disruption in the capital markets by selectively acquiring residential property portfolios.

MANAGEMENT

**Wijnand Donkers,
Chairman of the Management Board**

Wijnand was appointed Chairman of the Deutsche Annington Management Board in May 2007. Before joining DAIG, Wijnand spent over 20 years with BP plc gaining extensive international experience. He ran several large businesses in the foodstuffs, petrochemicals and gas sectors where customer orientation was the priority and he has worked and lived in Europe, the US and Asia. He was a member of BP Chemical's Germany supervisory board from 2001 to 2005. Wijnand is Vice Chairman of the GDW, the association of residential housing companies in Germany.

**Dr. Manfred Püschel,
Member of the Management Board**

In 1998, Manfred Püschel was appointed Chief Financial Officer of Viterra AG. After DAIG acquired Viterra in 2005, Manfred became a member of the Deutsche Annington Management Board. Manfred's professional career started at VEBA as a member of the planning staff, from which he moved to management positions as board member and Chief Executive at Raab Karcher, as well as at several Stinnes group companies.

BRINGING A COMMUNITY TOGETHER UNDER ONE ROOF

Deutsche Annington has been working with Caritas, a charitable organisation, to help improve life within the Eppmann housing estate in Gelsenkirchen through the provision of a new advice centre and meeting place. This is a welcoming space where residents of all ages can go to do anything from seeking advice on a housing problem to having a coffee with friends and has provided a much-needed focus for the community.

The advice centre staff are there to help families and senior citizens with issues like debts, nursing care, immigration, housing and many other issues. Between 12 noon and 2pm, visitors to the café can get a reasonably priced meal, and in the afternoons the rooms are open to all residents looking for company, a chat and a cup of coffee or perhaps a game of cards.

For tenants and neighbouring residents who find it difficult to do their daily shopping, the advice centre offers yet another service – a shopping delivery service from the non-profit supermarket Carekauf.

Corinna Kalinasch, head of the advice centre, is delighted at the success of the new community meeting place. "We are establishing ourselves in the residential environment as a contact point for all residents," she says. "In addition to practical support for issues relating to care, the family and education, the residents of the Eppmann estate are pleased to have another opportunity to meet each other and make new social contacts. The quality of life in the district has improved through this initiative."

This sentiment is echoed by Wijnand Donkers, CEO of Deutsche Annington, who commented, "We will do everything we can to make daily life easier for our tenants and we are considering setting up the same kind of projects at other similar locations."

Deutsche Annington's involvement in the project started with the renovation of the ground floor space. In addition, Deutsche Annington's foundation donated €15,000 for the furnishings and equipment. In order to support the centre in its early days, DAIG has waived the rent for the first two years.

EMI

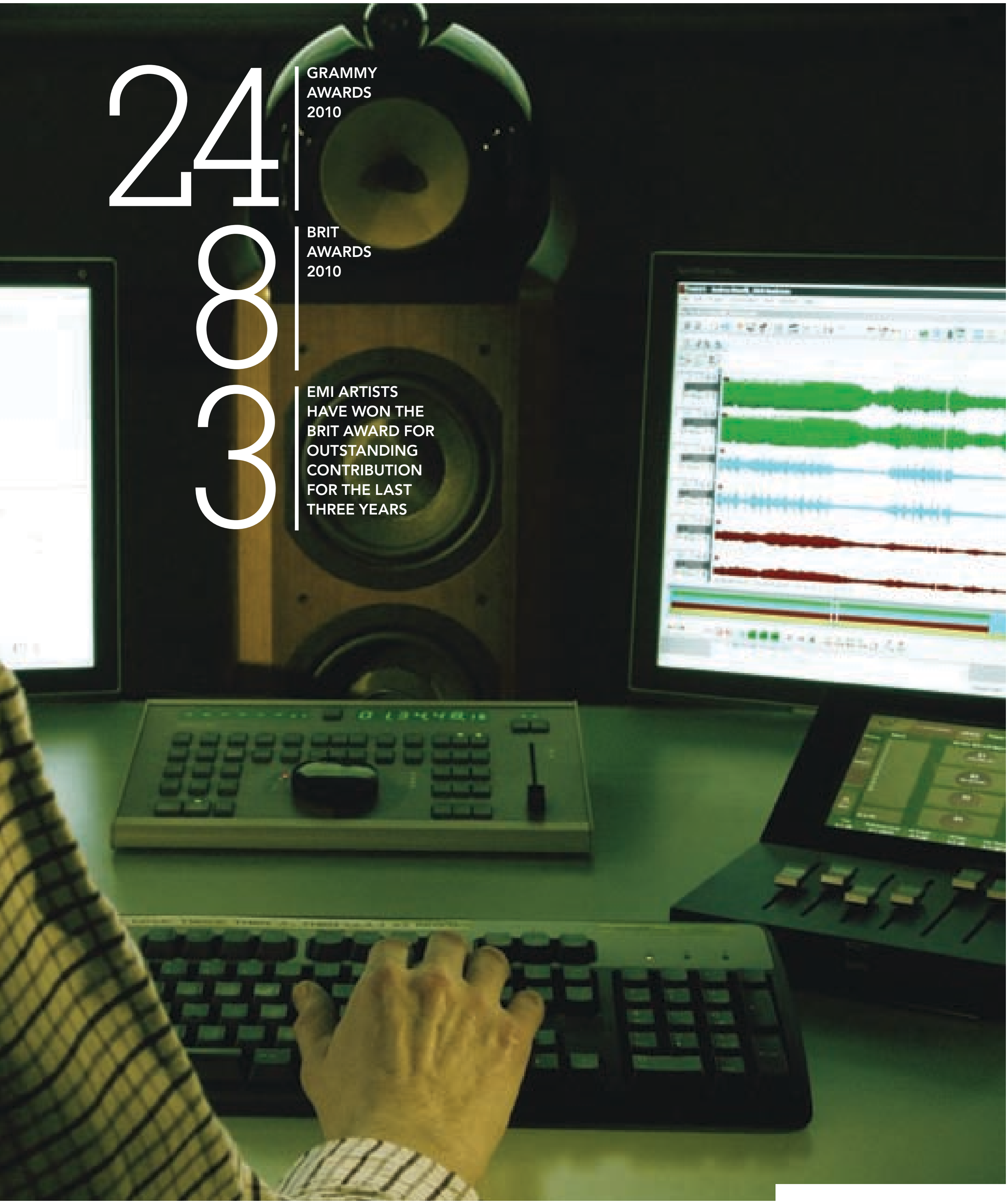
EMI IS ONE OF THE WORLD'S LARGEST MUSIC COMPANIES

EMI operates directly in 50 countries, has licensees in a further 20 countries and employs over 3,150 people. The business is made up of two divisions: EMI Music Publishing and EMI Music

24 GRAMMY AWARDS 2010

8 BRIT AWARDS 2010

3 EMI ARTISTS HAVE WON THE BRIT AWARD FOR OUTSTANDING CONTRIBUTION FOR THE LAST THREE YEARS



EMI

EMI has pioneered a totally new approach to understanding music consumers

EMI Music Publishing is a leading music publisher globally and has one of the world's largest catalogues of songs, including more than a million contemporary and classic titles. Its business is focused on the acquiring, protecting, administering and exploiting of rights in musical compositions, with revenue coming from licensing the right to use its music.

EMI Music represents recording artists spanning all musical genres. The business signs and develops artists, marketing and promoting them as well as distributing their music to retailers and licensed users. EMI Recorded Music owns a catalogue of over three million tracks.

INVESTMENT RATIONALE

EMI draws on Terra Firma's experience in strategically transforming businesses, repositioning assets, driving operational change and enhancing cash flows. It is an asset-rich business with exceptional publishing and recorded music catalogues. However, EMI's revenue had been declining due to the structural shift in the consumer music market and to a slow response, both by the industry and the company, to the move towards digital consumption and falling retail space for music. This shift has been particularly detrimental to the consumer-facing Music business.

Terra Firma recognised the potential to develop the publishing catalogue while streamlining the recorded music business and repositioning it to capitalise on the opportunities offered by the booming digital market and by re-engaging with consumers and new generation retailers.

REDEFINITION OF STRATEGY

Since acquiring EMI in August 2007, Terra Firma has embarked on a major restructuring of the business which will transform EMI and potentially impact the wider industry. The goal is for EMI to become the most innovative, artist-friendly and consumer-focused music company in the world, while delivering the financial performance needed to build a sustainable business. EMI Music, like the other major music companies, has traditionally been focused on producing successful albums. This has led to a policy of making large advances to artists to secure recording contracts, followed by a number of album releases that are supported by significant up-front marketing spend.

YEAR END: 31 MARCH	YTD Dec 08	YTD Dec 09
Music		
Gross margin - net domestic sales	£277m	£280m
Gross margin - licence income and neighbouring rights	£91m	£84m
Overheads and miscellaneous	(£242m)	(£227m)
EBITDA at management fx rates	**£127m**	**£138m**
Music Publishing		
Net revenue	£351m	£331m
Royalty costs, overheads and associates	(£249m)	(£229m)
EBITDA at management fx rates	**£101m**	**£103m**
Group EBITDA at management fx rates	£228m	£241m
Bank interest paid	(£240m)	(£124m)

The reality was that a small number of very successful albums compensated financially for the losses incurred on the majority of artists and for a general lack of cost discipline within the industry. Under Terra Firma's ownership, EMI aims to provide the best service to artists while maintaining the company's cost base at a level that can ensure profitable growth.

ACHIEVEMENTS

Terra Firma has radically changed EMI Music's existing organisation from a plethora of local labels to a globally-led and locally-operated business. This streamlined structure has three global business units focused on New Music, Catalogue and Music Services which are supported by global functions in marketing and other support areas.

As a result of this change, the business has been able to streamline activities, avoid duplication and create real focus on developing artist brands and deeper consumer understanding.

The restructuring of the reorganisation reduced headcount by some 1,500 staff and, together with a rigorous focus on all cost areas, savings of £200 million have been achieved so far.

A key area of focus has been EMI Music's artist roster. At acquisition, EMI had more than 15,000 artists on its roster, of which just 200 accounted for half of revenues. The business was actively working with 1,300 artists, but only a small number of those relationships were profitable. EMI has since been more selective in its artist relationships with a focus on developing a broader relationship with its new artists. EMI is financing the building of the artist 'brand' – the return on this investment will come through not only the sale of recorded music, but also from touring, licensing and other revenue streams.

While we are proud of our operational accomplishments at EMI, its capital structure has proven challenging. During 2009, Terra Firma had hoped to agree a restructuring of EMI's debt with Citibank, the sole lender to EMI. This restructuring would have given EMI a stronger balance sheet and provided a catalyst for further performance improvements. Unfortunately, Terra Firma did not reach agreement with Citibank and the challenges presented by the capital structure remain. EMI is, nonetheless, very focused on driving further operational improvement in the business.

CURRENT DEVELOPMENT PLAN

Terra Firma's goal is for EMI to become the most innovative, artist-friendly and consumer-focused music company in the world, generating revenues from multiple sources while delivering the financial performance needed to build a sustainable business. EMI's labels in the future will work closely with their artists on the creative process and on developing their long-term music careers. The support functions will assist the labels, ensuring that both EMI and its artists extract the full value from their work.

CURRENT FINANCIALS

EMI Music generated EBITDA for the three quarters to December 2009 of £138 million, a 9% increase on the same period last year. The strong performance of the Catalogue business, led by the September launch of the Beatles Remastered box sets, was offset by some release slippage in New Music.

EMI

Strong releases in the third quarter included Robbie Williams, Depeche Mode, Hannah Montana and several Christmas compilations.

EMI Music Publishing achieved EBITDA for the period of £103 million, up slightly from the prior year. Sales were below last year as a result of weaker recorded music sales and lower growth in synchronisation income which has been impacted by the slowdown in the advertising industry. However, some of this shortfall was offset by stronger net publisher share levels and strong cost controls which flowed through to EBITDA.

MANAGEMENT

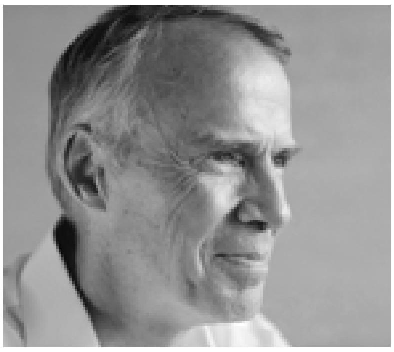
Lord Birt,
Chairman of Maltby Capital Ltd
In addition to his function as a member of EMI's Supervisory Board, Lord Birt has acted as an adviser to Terra Firma since 2005. Prior to that, he was Chairman of Infinis Ltd and between 2000 and 2005, his activities included memberships of the Cabinet Office Strategy Board and the Civil Service Reform Programme Board as well as Strategy Adviser to the Prime Minister, an adviser to McKinsey's Global Media Practice and the Chairmanship at Lynx Capital Ventures. Lord Birt started his career with LWT where he became a Director of Programmes before moving in 1987 to the BBC where he was Deputy Director-General before becoming Director-General. Lord Birt holds a degree from St. Catherine's College, Oxford.

Roger Faxon,
Chairman and Chief Executive of EMI Music Publishing
Roger took up his current role as Chairman and Chief Executive of EMI Music Publishing in March 2007. He was previously President and Co-Chief Executive of EMI Music Publishing. Roger has held a number of senior roles at EMI including President and Chief Operating Officer of EMI Music Publishing, Chief Financial Officer of EMI Group and Executive Vice President and Chief Financial Officer of EMI Music Publishing. Roger joined EMI from Sotheby's, where he was Chief Executive of Sotheby's Europe and previously Chief Operating Officer of Sotheby's North and South American operations.

Charles Allen,
Executive Chairman of EMI Music,
Director of Maltby Investments Ltd
Charles joined as Chairman of EMI Music in January 2009. In 2006, Charles was appointed Chief Adviser to The Home Office, providing advice and support to the Home Secretary and the Permanent Secretary. Charles served as CEO of ITV plc from 2004 to 2006, having previously served as Executive Chairman of Granada plc, which he led through the merger with Carlton Communications to form ITV.

Stephen Alexander,
Deputy Chairman of Maltby Capital Ltd, Senior Non Executive Director of EMI Music Publishing
Stephen was appointed Deputy Chairman of Maltby Capital, the holding company of EMI, in January 2009; he was previously President of EMI Music Catalogue, a role which he had held since March 2008. From 2002, Stephen was an Operational Managing Director with Terra Firma where his roles included Chairman of AWAS, interim CEO of Odeon, Chairman of Odeon/UCI and Chairman of the Thresher Group. Previously, Stephen was CEO of Hicks, Muse, Tate and Furst's European food businesses and had enjoyed a 17-year career with Allied Domecq PLC.


Lord Birt


Roger Faxon


Charles Allen


Stephen Alexander

ARTIST AND AUDIENCE IN PERFECT HARMONY

In an industry that has traditionally focused on generating great quality music, but less so on gaining a full understanding of the needs and desires of its audience, EMI has pioneered a totally new approach to understanding music consumers. The company has married its well-proven creative talents with new expertise and technology from the worlds of consumer marketing and US political polling to help EMI and its artists deliver to fans the products and services they truly value.

This new consumer insight team regularly surveys large samples of customers in multiple countries on what they feel about music, music products and music channels. Those consumers range from cutting edge fans who use the latest technology to access their music through to consumers who discover music through TV and celebrity-driven media. The EMI team is constantly analysing the results and delivering live data on music and audiences around the globe. This data is used by the EMI teams in product development, marketing and sales to transform the way the company brings products to the market. As well as pinpointing potential consumers for a particular project, the insight is helping EMI teams to tailor products to fit different consumer needs and to create smarter, more effective marketing campaigns.

When The Beatles' re-mastered albums were released in September 2009 for example, key market segments were identified and products developed for them. The new CDs were available individually, as a boxed set of the complete collection of re-mastered stereo albums or as a boxed set of all The Beatles' mono recordings. The stereo albums were also available as an Apple-shaped USB drive, and, to help connect The Beatles to a new generation of fans, re-mastered songs were available through The Beatles:Rock Band computer game which was released on the same day as the CDs. With the release of their re-mastered catalogue, The Beatles set new sales and chart records right around the world with consumers purchasing the equivalent of ten million albums in just four months.

This new consumer focus has helped to transform the process of marketing music at EMI and it is surely only a matter of time before that impact is felt in the wider industry. In the meantime, it's allowing all kinds of EMI artists to find new ways to connect with music lovers.

EVERPOWER

EVERPOWER IS A US WIND ENERGY DEVELOPMENT AND MANAGEMENT COMPANY

everpower

EverPower is headquartered in New York, with assets concentrated in the attractive North East and West Coast US power markets.

It has one wind farm facility that commenced commercial operations in 2009 with a 63MW operating capacity and a substantial portfolio of attractive near-term development opportunities


2,200mw
PIPELINE
800mw
NEAR TERM DEVELOPMENT OPPORTUNITIES
63mw
OPERATING CAPACITY

EVERPOWER

EverPower has a high quality portfolio of wind energy projects

INVESTMENT RATIONALE

EverPower Wind Holdings was acquired by Terra Firma in November 2009. The strategic rationale underlying its acquisition was to profit from the expected significant increase in demand for renewable energy in the US, at a time when regulatory change, a lower energy price environment and financing challenges were reducing the supply of new generating assets into the market.

In 2009, the US government introduced a grant of 30% of construction cost to support investment in wind assets. Terra Firma believes that US policy is likely to increasingly support renewable energy with the possibility of Federal renewable energy credits and, in the longer term, the possibility of a Federal carbon scheme strengthening the current regional standards.

Over the medium term, we expect US demand for natural gas to grow and that the move towards non-conventional sources of supply will increase the production cost of gas and introduce significant volatility into gas prices. In turn, we expect that there will be periods when this will drive up the price of electricity, helping to further increase the economic attractiveness of wind energy power generation.

Terra Firma has seen many potential opportunities in this sector in recent years and believes that EverPower is the most promising of these. EverPower has been carefully built by its founder Chief Executive Officer, who has created a high quality development company. The company has a significant portfolio of development assets which are concentrated in the attractive North East and West Coast US power markets. EverPower is a low-cost operation with a high calibre team that has a proven track record in wind development.

STRATEGY

The business will continue to be led by its founder, Jim Spencer. Jim has taken the opportunity to reinvest his entire interest in EverPower and remains a significant minority investor alongside Terra Firma.

The priority will be to construct and finance a whole series of new wind farm projects over the medium term,

YEAR END: 31 DECEMBER	2008	2009
Revenue	-	$4m
Costs	($11m)	($12m)
EBITDA	**($11m)**	**($8m)**
Bank interest	-	($3m)
Earnings before depreciation and tax	($11m)	($11m)
CAPEX	($97m)	($20m)

which will transform the existing scale of the business.

CURRENT FINANCIALS

The financials shown above are for the calendar year to December 2009. EverPower is still an early-stage business in its development phase. Its one operational site has been operating commercially since August 2009 and there is a cost base to drive the future development of the business. As a result, the business was loss-making in 2009 and is expected to remain so in the near term until the portfolio of operational assets is increased in scale. Reported revenue in 2009 was $4 million and EBITDA was ($8 million).

DEVELOPMENT PLAN

Terra Firma acquired EverPower at the point when the business started to embark on the next phase of its development. Commercial operations commenced at EverPower's first wind farm development shortly before Terra Firma's acquisition. With a high quality portfolio of wind energy projects in development, EverPower is now poised for a significant expansion of its operations.

The vision is to create a wind energy business of substantial scale. As EverPower moves to build, own and operate a substantial array of wind assets, the intention is to build and develop an operating platform to support this business. Terra Firma will be able to use its substantial operational skills to help drive this development, with clear similarities to the success already achieved in building Infinis.

In addition, there are currently a number of potential bolt-on acquisition opportunities in the US wind farm sector, which Terra Firma and EverPower are actively investigating.

EVERPOWER

Mike Kinski, Jim Spencer

MANAGEMENT

Jim Spencer,
Chief Executive Officer

Jim founded EverPower in 2002 to pursue renewable energy development. Prior to that, he served as an advisor to Renewable Energy Systems Limited (RES) and was instrumental in establishing RES's Asia Pacific presence in NSW Australia. His earlier roles included President of Sithe Asia Holdings and Vice President of Prudential Capital Corporation in the Utilities & Finance Group where he was involved in energy-related financings representing more than $6 billion. Jim has over 20 years of experience in the power industry managing the development and financing of energy projects in developed and underdeveloped countries.

Charles H. Williams,
Chief Financial Officer

Charlie joined EverPower in December 2009 after serving as Chief Financial Officer of Firefly Energy, Inc., an advanced battery technology company. He was previously Chief Financial Officer and Executive Director of Clipper Windpower Plc, a high growth utility scale wind turbine manufacturer and project developer, and Senior Vice President and Chief Financial Officer of Sithe Asia Holdings, a pan-Asian independent power producer based in Hong Kong.

Andrew Golembeski,
Executive Vice President and
Chief Operating Officer

Andrew is one of the founders of EverPower and has more than 20 years' experience in the electricity industry. Prior to his involvement with EverPower, he was Vice President of Sithe Energies Inc. Andrew's expertise spans a variety of technologies including wind, solar, coal, combustion turbines, reciprocating engines and hydro facilities. He has worked on the development of projects in the US, Canada, China, Thailand, Europe and the Middle East.

Christopher Shears,
Senior Vice President, Development

Christopher joined EverPower in 2008 with overall responsibility for the growth of EverPower's project pipeline across the US. He has over 15 years of experience in the wind and renewable energy fields including GB Business Development Manager for Renewable Energy Systems Limited where he was responsible for wind strategy and building the company's UK project portfolio. He also held the post of Development Director overseeing all projects across England and Wales. Christopher was Chairman of the British Wind Energy Association from 2005-2007, overseeing submissions to the UK Energy Review.

Damian Darragh, Charles Williams

Jim Spencer, Mike Kinski

SUSTAINABLE ENERGY IN THE HOME, OFFICE AND BEYOND

EverPower is a business that is committed to promoting the use and growth of clean energy. As a member of the renewable energy industry, it understands that responsible practices need to be embedded in the business's day-to-day activities as well as being followed and championed by the employees.

In order to deliver on that commitment, EverPower and its affiliates try, wherever possible, to operate on a carbon neutral basis. For example, all EverPower offices use 100% green power if it's available and, where it's not, buy green certificates to offset 100% of the carbon produced in generating the electricity they consume.

EverPower is also designing its offices in accordance with key sustainability principles – the Portland office, for example, has been awarded a LEED Gold certification. This rating recognises that the building was designed using strategies aimed at saving energy, conserving water, reducing CO_2 emissions, improving indoor air quality and preserving resources. The building features innovations such as a high-efficiency natural gas boiler, rainwater retention tanks, recycled building materials, low-flow water fixtures and solar photovoltaic panels.

The company's employees are also heavily behind the company's green efforts. EverPower has introduced a policy that encourages all staff members to demonstrate that they use green power in their homes or that they offset the carbon associated with their domestic electricity if the green power option is not available.

These same principles are also applied to the use of advisers and consultants who work with EverPower on its development activities. The company aims to use only those consultants and other service providers who purchase green power or green certificates. Beginning this year, these service providers will be required annually to establish that they meet these requirements.

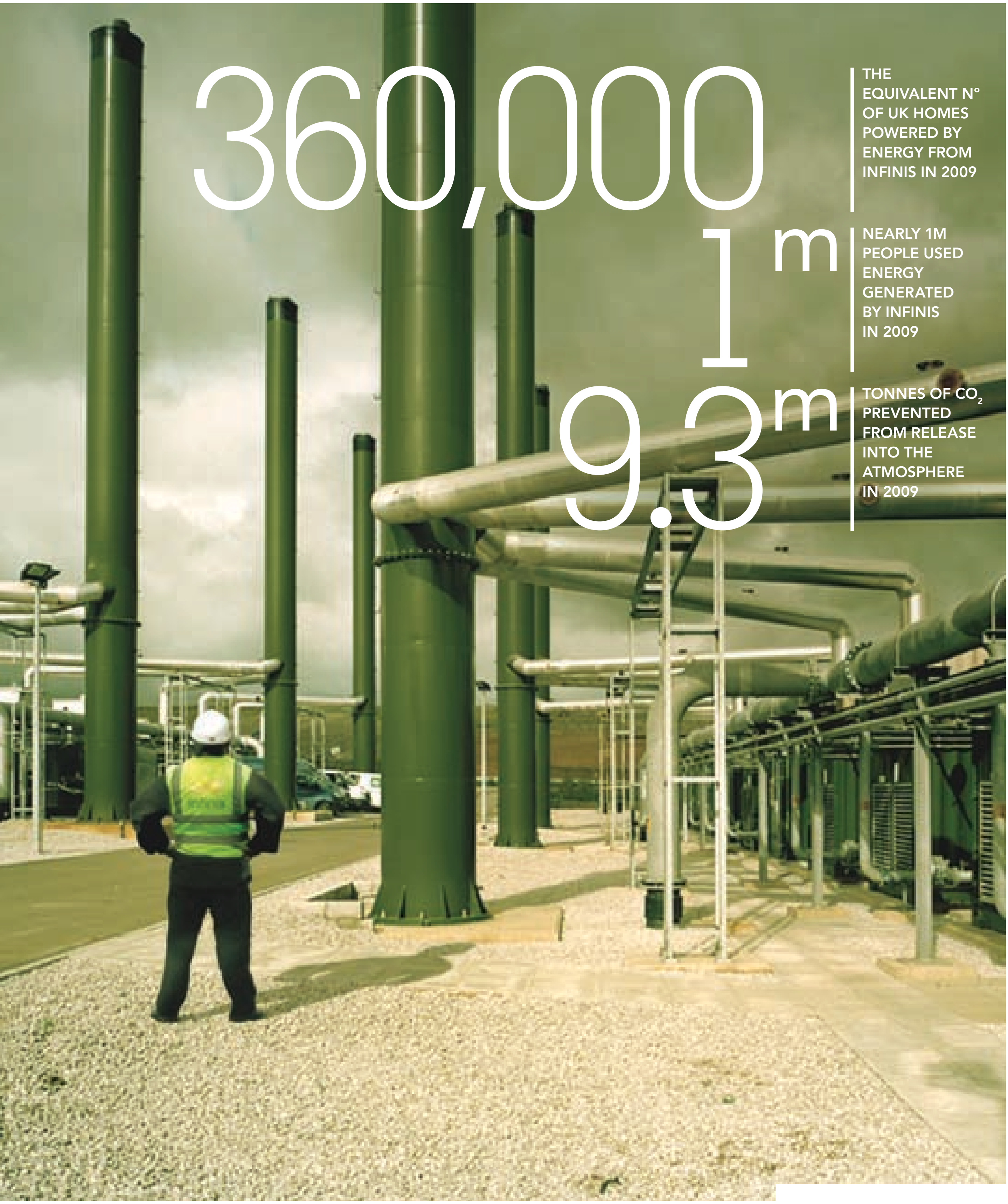
Clean air and water, a diverse energy supply and affordable energy are some of the critical goals we all need to work towards, and renewable energy has a key part to play in that mix. EverPower is doing its bit to reach those goals by encouraging corporate and social responsibility in relation to all kinds of energy while also promoting the wider use of renewable energy technologies.

INFINIS

INFINIS IS THE UK'S LEADING PURELY RENEWABLE ENERGY GENERATOR

Infinis is the UK's leading purely renewable energy generator. In 2009, it generated 1.680 terawatt hours (TWh), approximately 8% of the UK's renewable power. The company's portfolio includes 101 generating sites across the UK (of which 20 are managed by third parties) and its total installed capacity amounts to 305MW (of which 262MW is managed in-house)

infinis



360,000
THE EQUIVALENT N° OF UK HOMES POWERED BY ENERGY FROM INFINIS IN 2009

1m
NEARLY 1M PEOPLE USED ENERGY GENERATED BY INFINIS IN 2009

9.3m
TONNES OF CO_2 PREVENTED FROM RELEASE INTO THE ATMOSPHERE IN 2009

INFINIS

The takeover of Novera will bring benefits of scale to Infinis, increasing its in-house generating capacity from 262MW to 406MW and increasing its development pipeline

INVESTMENT RATIONALE

Infinis was previously the waste-to-energy division of the Waste Recycling Group (WRG). Terra Firma acquired WRG in July 2003 and later merged it with Shanks' UK landfill waste business, which it acquired in 2004. A leading waste management company, WRG held approximately 30% of the UK land space that had been granted planning consent for use as landfill and also owned a small renewable energy business. In a market experiencing increasing regulatory pressure and a growing focus on alternative energy sources, Terra Firma identified the potential for WRG's fledgling waste-to-energy operations to be a significant development area and margin driver for the business.

Growth in the sector is underpinned by the numerous targets that have been set for the reduction in greenhouse gas emissions:

- Under the Kyoto Protocol, developed countries have committed to a 5% reduction in 1990 greenhouse gas emissions during the period 2008-2012.
- The EU has announced a policy of generating 20% of primary energy from renewable sources by 2020.
- The UK's Renewables Obligation sets increasing targets for the percentage share of renewable energy in the UK power sector.

Terra Firma de-merged the waste-to-energy business from WRG in May 2006, renamed the business Infinis and appointed a new management team. WRG's landfill and incineration business was sold by Terra Firma in September 2006.

GENERATING POWER FROM LANDFILL GAS

Landfill gas is one of the naturally occurring products of decomposing organic matter in landfill sites. Around 50% of landfill gas is methane, a highly potent greenhouse gas – its contribution to climate change is over 20 times greater than that of carbon dioxide. The generation of power from landfill gas helps to reduce the global warming impact of the methane emissions.

REDEFINITION OF STRATEGY

Since its acquisition by Terra Firma, the business has been transformed from a small landfill gas division into a strong stand-alone renewable energy generator with an operating portfolio of landfill gas, onshore wind and small-hydro power stations, and with a large pipeline of renewable energy development projects. Its strategy is to strengthen further its leading position in the industry through investment in additional capacity on existing sites and by playing an active role in the industry's consolidation via acquisitions. The completion of the acquisition of Novera in 2009 is a significant step in that direction.

Infinis has substantially built out its landfill gas portfolio and the main development activity for the business is now focused on developing a strong onshore wind farm pipeline, aiming for 500-800MW of installed capacity in the medium term. The result will be a well-diversified renewable energy operator poised for sustained strong growth.

ACHIEVEMENTS

Infinis is the UK's largest purely renewable energy generator thanks to its sector-leading position in the UK landfill gas industry.

Infinis' generation capacity has grown from 57MW in 2003 to 406MW in 2009. This strong track record demonstrates the company's ability to grow the business successfully through operational optimisation, organic growth and acquisitions. In January 2007, Infinis acquired the shares of Summerleaze Re-Generation Limited and ENnate Technology Limited from

YEAR ENDED: 31 MARCH	YTD DEC 08	YTD DEC 09
Revenue	£83m	£92m
Costs	(£44m)	(£43m)
EBITDA	**£39m**	**£49m**
Bank interest	(£4m)	(£5m)
Earnings before depreciation and tax	£35m	£44m
CAPEX	(£18m)	(£18m)
Average megawatts	186	192

The figures above exclude the Novera holding

their parent company, Summerleaze Limited, adding 42 (now 47) MW of operational capacity.

In September 2007, Infinis acquired the renewable energy development assets of Scottish Resources Group (SRG) and its related company Scottish Biopower Limited, a renewable energy development portfolio with both biomass and wind projects. These projects include a 125MW onshore wind portfolio and development rights to a 125MW biomass portfolio.

Infinis completed the takeover of Novera in 2009. Novera owns a 142MW renewable energy generating portfolio comprised of 83MW of landfill gas, 16MW of hydro and 45MW of onshore wind generating assets. The company also has an attractive onshore wind development portfolio. In addition to its operating wind farms, the company has three consented sites with a capacity of 72MW, a further four sites in planning with a capacity of 46MW, and a significant pre-planning pipeline.

Infinis has established one of the industry's most advanced central logistics centres at its headquarters in Northampton which monitors the environmental and operational performance of its 264 gas engines across the UK on a 24/7 basis. The centre offers remote diagnostic and start-up capabilities to ensure maximum regulatory compliance and output.

Infinis successfully completed a refinancing of the business in December 2009 with Infinis plc issuing £275 million of high yield bonds, a strong result in today's challenging markets.

CURRENT FINANCIALS

Infinis reported strong results for the nine months to December 2009 with EBITDA 25% ahead of the prior year. This was driven by the installation of 23MW of new landfill gas capacity and the successful change from NFFO (Non Fossil Fuel Obligation) to ROC (Renewable Obligation Certificates) contracts on seven sites.

Infinis continues to take a cautious approach to capital expenditure, in particular on new development spend. As a result, capital expenditure remained constant in 2009 compared with the previous year.

The outlook for 2010 remains positive and through forward contracts Infinis has largely secured its revenue for the next two years.

INFINIS

Capacity Overview			
Capacity (MW)	**Infinis**	**Novera**	**Total**
LFG	262	83	345
Hydro	0	16	16
Wind – operational	0	45	45
Wind – consented	27	72	99
Current & consented capacity	**289**	**216**	**505**
Wind – in planning	115	46	161
Wind – pipeline	350	450	800
Total	**754**	**712**	**1,466**


Robbie Barr, Jane Aikman, Eric Machiels

DEVELOPMENT PLAN

Infinis' landfill gas business is strongly cash generative, enabling it to further invest in capacity, systems processes and its people. Infinis is focused on developing from a landfill gas business to a broad-based renewable energy business, moving decisively into onshore wind over the next five years.

Infinis currently has 7MW of new landfill gas developments in the pipeline for 2010. The recommendation to grant planning permission for a 16–27MW wind farm adjacent to the landfill site of Greengairs in Scotland was confirmed by the Scottish Government in November 2008. In addition, the business is progressing four further projects, totalling up to 135MW, on sites secured from SRG in September 2007 and submitted three for planning permission in 2009.

The integration of the Novera business will be a major focus of the organisation over the next six months. There is a high degree of overlap between the two businesses' activities which will provide an opportunity to reap significant synergies. Additionally, this acquisition will bring benefits of additional scale to Infinis, increasing its in-house generating capacity from 262MW to 406MW, and increasing its development pipeline. It will also significantly enhance Infinis' position in the onshore wind market. The enlarged group has 99MW of consented wind projects, with a further 161MW currently under consideration by the planning authorities. Amongst these projects, the 22MW Glenkerie project is approaching financial close and should be operational in 2011. The table above summarises the capacity of the group.

MANAGEMENT

Phil Nolan,
Chairman
Phil was appointed to the Infinis Plc Board in January 2007. Prior to joining Infinis, Phil was Chief Executive of Eircom, the Irish national telecoms operator, after its acquisition by a private equity consortium. He led Eircom back to the public market in 2004 and stepped down after the sale of the company in 2006. Previously, Phil joined the board of BG Group in 1998 and led the demerger of Transco, becoming Chief Executive of the Lattice Group in 2000.

Eric Machiels,
Acting Chief Executive Officer
Eric became Acting CEO and joined the Infinis Plc Board in August 2009, having previously been Development Director from January 2008 to July 2009. From September 2007, Eric had been a Business Director at Terra Firma and had significant involvement with Infinis. Prior to that, he held executive positions within two portfolio companies of Clayton, Dubiller & Rice, a US private equity firm, and most recently as Managing Director of Sirva Inc.'s Continental European division from 2004 to 2007. Eric worked as an Investment Director at UBS Capital from 1999 to 2002.

Stewart Gibbins,
Operations Director
Stewart joined WRG as Director of Operations in 2005, moving to Infinis in May 2006. Stewart has over 12 years of senior management experience in power generation including managing a fleet of 50MW gas-fired power stations for Rolls Royce in the UK, Europe and North America. Prior to that, Stewart was Engineering Director of Huwood Controls at Babcock Group.

Jane Aikman,
Finance Director
Jane joined Infinis in July 2007. Prior to this, Jane was Group Finance Director at Wilson Bowden plc, the major house building and property development group, where she was part of the team instrumental in the sale of the group to Barratt Developments plc. Jane previously held Finance Director roles at Amey plc and later at Pressac plc.

Steven Hardman,
Commercial Director
Steven joined Infinis in May 2008 to lead its commercial and legal activities. Steven was previously Group Legal Director for WRG where he was responsible for the entirety of the group's legal affairs. A qualified solicitor, Steven's early career was as a corporate lawyer in the City of London prior to a period with Hanson plc.

ENHANCING PERFORMANCE, ENERGISING THE TEAM

Infinis is an organisation that values its people and the specialist expertise they bring to work with them every day – after all, together these experts now deliver 8% of the UK's renewable energy output.

The key challenge for the company is to make sure that the knowledge of its more experienced team members is shared consistently with others throughout the business so that everyone is working to the same high standards.

To achieve that, one of the key areas the business has been focusing on is the training and support that is available to its teams of field service technicians working across its 81 sites in the UK. These technicians service the 264 gas engine portfolio on an almost monthly basis. Ensuring best-in-class engine maintenance practices are uniformly adopted across the teams has considerable benefits in ensuring maximum reliability of the engines.

Over the past 12 months, a project team has been working with the business to create a new training matrix and write a comprehensive service manual – a 'how-to' guide for the most common issues that Infinis technicians are likely to have to tackle. It is a measure of the complexity of the role that the finished manual – put together with the help of a technical author – runs to more than 400 pages. What that effort means though, is that wherever they are, technicians can now refer to their own step-by-step guide to the task in hand complete with photographic examples.

As part of the process of introducing these new practices, Infinis has also invested in 'training the trainers', sending its supervisors on a two-day course in instructional techniques so they are better equipped to pass on their knowledge.

With a more formalised training and support system in place, the company has also been able to introduce a structured grading system for the technicians. This gives each individual's career more structure and provides goals to aim for. It also means that technicians who want to stay 'hands-on' can progress their career in frontline roles rather than having to make the switch to management when they reach a certain level of experience.

The net gains of these changes have been felt all around the business – a recent employee survey showed that Infinis technicians now feel better trained and are more motivated. And with maximum use being made of in-house expertise, Infinis is less reliant on costly outside contractors. The target now is to roll out this successful formula to other areas of the business.

ODEON/UCI

ODEON & UCI CINEMAS GROUP IS THE MARKET LEADER IN EUROPE

Odeon/UCI is the number one operator in the UK, Spain and Italy, with a presence in four other European markets. The Group has a total of 1,850 screens in 204 cinema locations which are a combination of freehold, long leasehold and short leasehold sites. The business operates under the name of Odeon in the UK, UCI in Germany, Italy, Austria and Portugal and Cinesa in Spain


200
AROUND 200 3D CINEMA SCREENS
80
ODEON CELEBRATES ITS 80TH BIRTHDAY THIS YEAR
1.4m
LOYALTY CLUB CARD HOLDERS

ODEON/UCI

The most significant development opportunity is the large-scale roll-out of digital projection technology and associated 3D screens

INVESTMENT RATIONALE

Prior to its acquisition by Terra Firma, Odeon had no clear strategic direction. It was managed by a collection of shareholders with different plans for the business and this non-alignment of interest meant the company was not operating to its full potential. United Cinemas International (UCI), meanwhile, was considered a non-core asset by its two previous shareholders and had gone through a period of under-investment.

Terra Firma acquired Odeon in September 2004 and UCI in October 2004. Both acquisitions were independently attractive, but there were clearly even greater benefits flowing from a merger which offered an exceptional chance to unlock value through integration savings. Also, further consolidation was expected within the European cinema industry, so establishing and adding to a Europe-wide company would enable significant operational improvements. With a stable cash flow stream due to its affordable ticket price in the leisure sector, Odeon/UCI offered a number of areas for earnings improvement including ticket pricing, food and beverage retail sales and alternative revenue streams such as advertising. In addition, further opportunities were identified to unlock value from selective properties owned by the company.

REDEFINITION OF STRATEGY

Post-acquisition, the strategy was focused on realising savings from merging Odeon and UCI in the UK. The strategy for the combined Odeon/UCI business was to enhance revenue through increasing admissions, improving the customer retail offering, greater capacity utilisation and investment in future technology developments such as digital, 3D and Imax. The strategic development of the business also involved looking for acquisitions in the key markets that would offer benefits from economies of scale and taking the opportunity to dispose of any cinema assets and property that would achieve a significant premium.

ACHIEVEMENTS

After the merger, the organisation was restructured to capture synergies and establish clear lines of accountability. Indeed, the integration of both businesses delivered synergy savings and other cost improvements totalling more than £10 million per annum.

YEAR END: 31 DECEMBER	2008	2009
Revenue	£549m	£641m
Costs	(£477m)	(£561m)
EBITDA	**£72m**	**£80m**
Bank interest	(£22m)	(£19m)
Earnings before depreciation and tax	**£50m**	**£61m**
CAPEX	(£43m)	(£35m)
Attendance	71m	75m

As part of the policy to acquire individual cinemas and cinema chains, Odeon/UCI has successfully integrated Warner Lusomundo Sogecable and the Iberian assets of AMC with its existing Spanish business. Two further acquisitions in Italy (Europlex and Cinestar) have enabled UCI to take the position of number one cinema operator in that market as well. Odeon/UCI completed the acquisition of four sites from Hoyts in Germany for a nominal consideration in 2008 and in 2009 took over two existing sites in Italy (Florence and Venice) and one in Barcelona.

Organic development has also been a priority. In the past year, for example, Odeon/UCI has successfully opened five new cinemas in Wrexham (UK), Gateshead (UK), Lisbon (Portugal), Milan (Italy) and La Gavia (Spain). During the year, Odeon purchased an additional two IMAX MPX digital systems for two major sites in the UK – taking Odeon to a total of five Imax cinemas (more than any other operator).

The business has invested heavily in rolling out improved/premium seating, retail food and beverage offerings in the cinemas both in the UK and Europe; broadening the range of ice creams and coffees, and introducing pizza and sandwich bars. It has a growing number of Costa Coffee franchises in the UK and is the biggest franchisee of Ben & Jerry's in the world. The business has focused on further diversifying revenue sources, including increasing admissions through the use of alternative content and improving capacity utilisation. Odeon/UCI continued its roll-out of 3D screens across the group along with the introduction of digital projectors and now has over 200 digital screens across the estate. The use of digital technology offers long-term print cost savings to the distributors, an improved advertising platform, alternative content capability, such as live opera, theatre and sports and greater flexibility in programming.

During the year, Odeon rolled out a new loyalty card, the Odeon Premiere Club, across its UK estate. This has already become the largest cinema loyalty card programme in the UK, with over 240,000 cards issued. The card offers significant opportunities for the business to develop a closer understanding of its customers and to be able to make innovative consumer offerings.

2009 was the first full year of operation for Odeon's new screen advertising joint venture with Cineworld, Digital Cinema Media ('DCM'). Although UK screen advertising was down year-on-year, DCM worked hard to achieve a reasonable performance during what was an exceptionally difficult year for consumer advertising in general.

CURRENT FINANCIALS

Odeon/UCI had an extremely strong year, reporting EBITDA of £80 million, £8 million ahead of the prior year. This was the result of detailed focus on improving its customers' experience combined with a strong film slate which offset a reduction of £9 million in revenue from screen advertising due to adverse market conditions.

2010 has started well with the continued success of Avatar. The film slate for the year ahead looks strong with films including Alice in Wonderland, Toy Story 3, Shrek Forever After and the next Harry Potter film.

ODEON/UCI

Rupert Gavin , Lorenzo Levi

Jonny Mason, Lorenzo Levi, Rupert Gavin, Mayamiko Kachingwe

DEVELOPMENT PLAN

The most significant current development opportunity is the potential large-scale deployment of digital projection technology together with the associated roll-out of 3D screens. Odeon/UCI has made significant progress in negotiations with the film studios during 2009 and expects further progress in the coming months.

The business will continue to focus on improving its customer product offering and on enhancing its customer experience. The successful retail initiatives will continue to be rolled out at additional sites. The customer loyalty programme has been successfully rolled out across the entire UK estate during 2009 and will be further developed during 2010.

The business will also continue to review further opportunities for growth in existing markets, whether organically through opening new sites, via acquisitions or via the take-over of existing sites that might become available.

MANAGEMENT

Rupert Gavin,
Chief Executive Officer

Rupert was appointed as Chief Executive of Odeon/UCI in 2005. Prior to joining the business, he was a member of the BBC's Executive Committee and Chief Executive of BBC Worldwide, which he led through a period of rapid expansion. His earlier roles included Managing Director at BT, where he was responsible for the UK consumer business with total revenue of £6 billion and a team of 30,000.

Jonny Mason,
Chief Financial Officer

Jonny joined Odeon/UCI in March 2006 from Sainsbury's where he was Finance Director and a member of the Operating Board. Sainsbury's had sales of £17 billion, 750 locations and 150,000 employees. Jonny's previous roles included CFO of a private equity-backed fitness chain and financial management in Hanson and Shell.

Roger Harris,
Chief Operating Officer, UK and Ireland

Roger joined UCI in 2002 and, following the merger with Odeon, has been working with the UK Senior Management Team to develop and execute a five-year plan for the business. Roger has been in the cinema business for 20 years. He held a number of positions at Famous Players prior to 2002 including Senior Executive Vice President and General Manager.

Jose Batlle,
Chief Operating Officer, Continental Europe

Jose joined the cinema industry in 1986 as Chief Executive of Cinesa, Spain. He was appointed Vice President of UCI when Cinesa was sold to UCI in 1991 and later established UCI Brazil, started operations in Italy and Portugal and continued the rapid expansion in Spain. In 2003, he was appointed Senior V.P. Continental Europe and made additional acquisitions in Germany and Austria.

FORTY YEARS IN THE FILM BUSINESS

Having spent more than 40 years managing many of Odeon's London cinemas, Chris Hilton has had a front row seat on the evolution of the modern film-going experience. "I joined in 1966 as Assistant Manager of the cinema in Swiss Cottage," he remembers. "Back then, we wore black tie for the evening showings and the London Philharmonic would play in the auditorium on a Sunday."

The orchestra might have gone, but some things have stayed resolutely the same. According to Chris, when people go to the cinema, their food tastes are still the same today as they were in the 1960s.

"We've upgraded the seats, improved the sound and picture quality and given them 12-screen multiplexes, but when it comes to food, it's still the classics that people want – popcorn and ice cream."

"In recent years though, there's been a great deal more emphasis on understanding the guest and making sure we're giving them exactly what they want. Today's senior managers are in constant touch with the operational teams to find out what's happening at the sharp end of the business."

When Chris moved to the West End and Leicester Square cinemas, he was taking over the running of two of the flagships of the Odeon chain. Part of the role meant getting back into his tuxedo and moving in royal circles.

"The Leicester Square Odeon regularly hosts Royal Premieres," says Chris, "so I've met many of the big film stars and had the honour of greeting the Queen, Prince Philip, Princess Anne, Prince Charles and Princess Diana, among others. I remember Princess Diana coming for the Premiere of the latest Arnold Schwarzenegger film and the press frenzy was incredible – it was the biggest bank of cameras I've ever seen."

Chris retired in 2009 and, apart from enjoying a well-earned rest, he's also about to receive another reward for all his hard work. "I was extremely surprised and proud to be awarded an MBE in the 2010 honours list for services to the film industry," he says. "I'm really looking forward to my trip to the Palace. It's strange to think that the royal family have been coming to see me at my 'house' for many years and now it's my turn to go and see them at theirs."

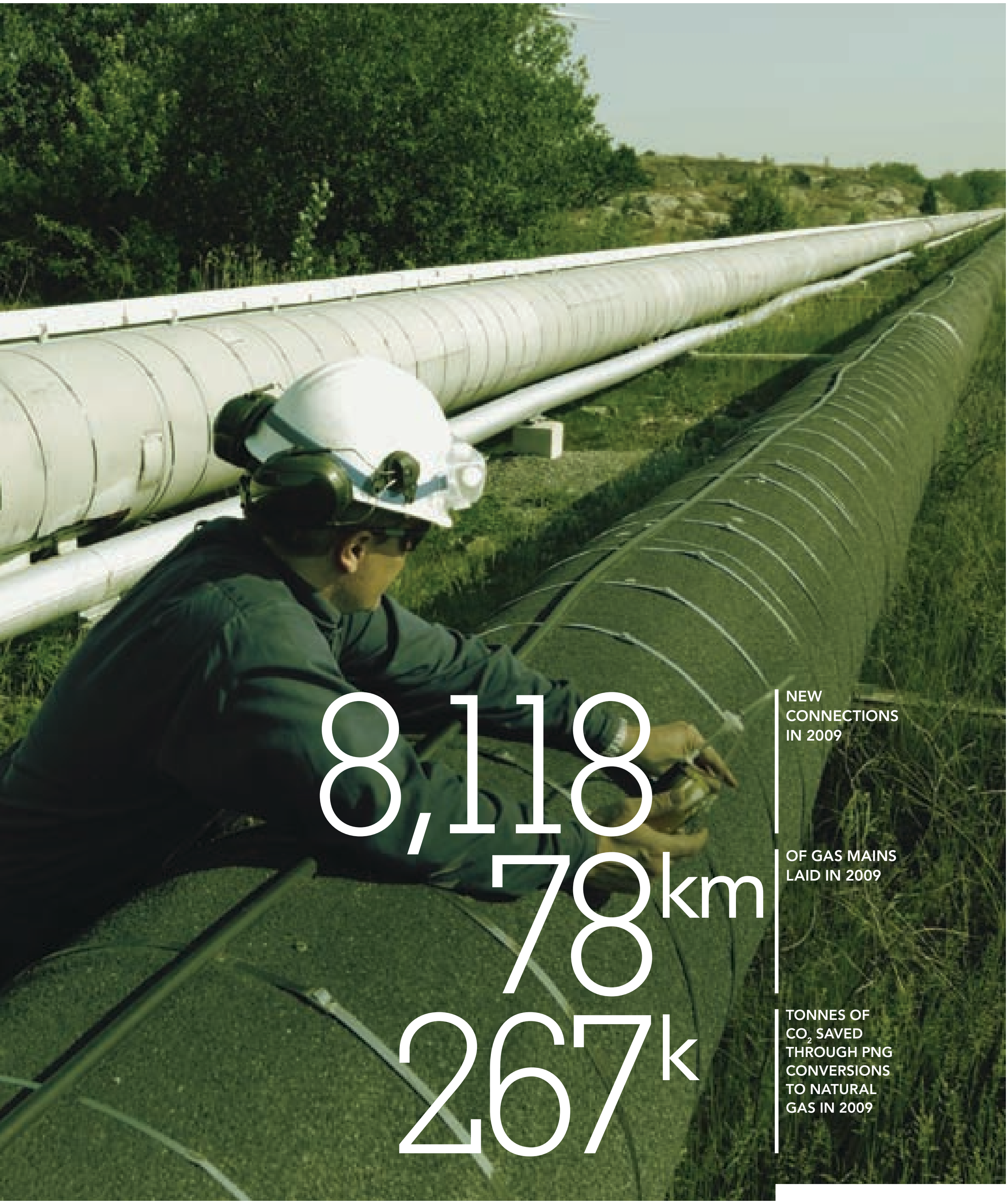
PNG

PNG SUPPLIES NATURAL GAS TO THE GREATER BELFAST AREA

PHOENIX NATURAL GAS

PNG supplies 130,000 properties with natural gas in Greater Belfast and is continuing to invest in its network to offer natural gas to the significant majority of homes and businesses within its Licence Area in the region.

The PNG network is considered a world class benchmark of best practice in gas infrastructure development and the lessons learned in Northern Ireland are influencing natural gas development elsewhere around the world



8,118 NEW CONNECTIONS IN 2009

78km OF GAS MAINS LAID IN 2009

267k TONNES OF CO_2 SAVED THROUGH PNG CONVERSIONS TO NATURAL GAS IN 2009

PNG

PNG is investing to expand its network and connect an additional 80,000 homes and businesses in the Greater Belfast area over the next ten years

INVESTMENT RATIONALE

When Terra Firma acquired East Surrey Holdings ('ESH'), a portfolio of regulated utility businesses, it recognised the good growth prospects of PNG, the gas business in Northern Ireland. The strong management team was delivering far greater operational and capital investment efficiencies than were being achieved in the mainland businesses.

While the opportunities for natural gas in the Greater Belfast area were attractive at the time of the acquisition, the comparative instability of the regulatory framework – combined with the relative immaturity of the network – demanded a new owner with a strong vision. Terra Firma has invested significant time working with PNG management and the regulatory authorities to agree a mutually-satisfactory regulatory framework to allow PNG to develop its business and thereby also benefit its customers.

REDEFINITION OF STRATEGY

The acquisition of ESH was, in reality, the acquisition of three separate utility businesses with very different profiles. Sutton and East Surrey Water was a monopoly supplier to 250,000 households in the south of England. Terra Firma identified it as an ex-growth, non-core asset and decided to sell the business shortly after acquisition. East Surrey Pipelines ('ESP'), a UK gas connections and gas transportation business, was viewed as a potential consolidation opportunity in a buoyant new housing market. Terra Firma initially grew ESP by acquiring and successfully integrating BGCL, a connection business owned by British Gas. This made ESP the third largest independent gas connections business in the UK. Further consolidation followed in the sector and the subsequent increase in the value of ESP led to its sale by Terra Firma, leaving Terra Firma with PNG, the business with the most development potential.

ACHIEVEMENTS

When PNG was set up in 1996, the core objective was to build and operate one of the most modern and environmentally-friendly natural gas networks in Western Europe. PNG has made gas available to more than 274,000 properties, with 130,000 already connected to natural gas in the Greater Belfast area, and it is investing to expand the network further and connect an additional 80,000 homes and businesses in the next ten years.

Through continual innovation, implementation of ground-breaking technologies and dedication to its customer service, PNG's aim is, through the delivery and utilisation of gas to its customers, to help keep Northern Ireland's businesses competitive globally and help in significantly reducing its carbon footprint (given that natural gas produces at least 25% less carbon dioxide emissions than other fossil fuels).

The development of the natural gas market to maturity throughout Northern Ireland over the coming decades should deliver significant carbon emission reductions, bringing it in line with the rest of the UK and many European countries.

In January 2008, the group separated its distribution business from its transmission assets in order to comply with the EU Gas Directive. This facilitated the sale of its transmission business to Northern Ireland Energy Holdings Ltd in March 2008; the resulting proceeds of £99 million was used to pay down debt.

Following discussions with PNG's regulator, a regulatory framework governing the business's connection incentives, permitted market development costs, and other operating costs is now in place operating alongside its 40-year licence and five-yearly price control process.

In November 2009, the business completed a refinancing which provides the business with eight-year bond financing (£275 million) and three-year capital expenditure and working capital facilities. The refinancing proceeds were used to repay existing loans and the remainder made available for return to the fund.

YEAR END: 31 DECEMBER	2008[2]	2009[1]
Gross turnover	£125m	£108m
Gas purchases	(£78m)	(£62m)
Gross gas margin	£47m	£46m
Costs including depreciation	(£22m)	(£23m)
EBITA	**£25m**	**£24m**
Bank interest	(£19m)	(£15m)
Earnings before amortisation and tax	£6m	£9m
CAPEX	(£11m)	(£12m)
Customers	123,000	129,000

1 Excludes exceptional costs, including swap break costs due to refinancing
2 2009 results are subject to final audit approval

COMPANY STRUCTURE

Phoenix Natural Gas Ltd

Phoenix Natural Gas is the owner and operator of the licence for the distribution network in the Greater Belfast Area and Larne. The distribution business is responsible for the development of the pipeline network and also for providing a 24/7 operational and transportation service platform to gas suppliers under the rules of the Companies Network Code.

The Phoenix network currently extends to 3,000 kilometres of intermediate, medium and low pressure mains, which distribute natural gas throughout the licence area, representing around 50% of the population of Northern Ireland. Phoenix Natural Gas manages the development of both the physical network and market in Greater Belfast; already some 130,000 customers have been connected to natural gas in the 13 years it has been available. The business is regulated under licence by the Northern Ireland Authority for Utility Regulation (NIAUR).

Phoenix Supply Ltd

Phoenix Supply is the market leader in gas supply in Northern Ireland and is responsible for the provision of natural gas to customers from the Group's distribution network. The Supply division competes directly with other gas suppliers in its licence area, which mirrors the Group's distribution business in Greater Belfast and Larne. Currently, Phoenix supplies 120,000 residential and 10,000 industrial and commercial customers with gas. In addition, Phoenix Supply trades gas on the wholesale market and provides billing services for its expanding customer base from its offices in Belfast. The business is regulated under licence by NIAUR.

Phoenix Energy Services Ltd

Phoenix Energy Services is the leading provider of natural gas boiler and appliance servicing, emergency response, gas metering and meter reading services in Northern Ireland. From a start-up position in 2001, the company now undertakes more than 36,000 service engineering and 275,000 meter reading visits annually, using a professional team of CORGI engineers and other multi-skilled staff.

Phoenix Energy Ltd

During 2008, Phoenix Energy was incorporated to supply natural gas in the Republic of Ireland and expand the service offering of Phoenix Supply across the whole of Ireland. Phoenix Energy was awarded a licence to supply natural gas in the Republic of Ireland in December 2008 and signed up its first customers in 2009.

CURRENT FINANCIALS

The cold weather at the end of 2009 reversed the trend for the year in which warmer than average temperatures had reduced demand. Total revenue was lower than in 2008 largely driven by lower gas prices. Gas margins improved by 19% against the prior year as the benefit of lower gas costs are only passed on to tariff customers with a time lag. Costs were lower than expected given the increase in customer numbers, demonstrating the continued focus on tight cost control. Lower EBITA in 2009 was due to the previous year's over-recovery which was returned to customers via lower tariff and distribution prices thereby impacting 2009 earnings.

For the distribution business, EBITA for the year was £1.4 million up on last year, mainly as a result of higher distribution charges to suppliers.

Bank interest, excluding one-off swap break costs resulting from the refinancing, were lower due to the lower average debt balance compared with last year.

PNG's growth continues to be driven mainly by new connections. Despite the challenging economic environment, the business installed over 8,100 new connections in the year.

PNG

DEVELOPMENT PLAN

Unlike the UK mainland, where about 90% of consumers use gas, natural gas is a relatively new fuel in Belfast, having been first introduced in 1996. With more than 90% of new homes choosing natural gas, PNG is well placed to serve the region's growth in housing construction. In Belfast, only about 40% of the energy market is now connected to gas. As a result, there is a potential for a further 150,000 homes to convert from coal, heating oil and electricity to gas in the future. PNG is committed to investing in its distribution infrastructure and to increasing the number of users connected to its network.

MANAGEMENT

Sir Gerry Loughran KCB, Group Non-Executive Chairman

Sir Gerry's role as the Non-Executive Chairman of the PNG Group is a continuation of his work championing economic development in Northern Ireland. Gerry retired from his post as Head of Northern Ireland's Civil Service in 2002, ending a Civil Service career that spanned 36 years. Gerry previously held the post of Permanent Secretary, Department of Economic Development.

Peter Dixon, Group Chief Executive

Peter was appointed to the PNG board as Chief Executive in 2000 and joined the East Surrey Holdings board in November 2003 as an Executive Director. Peter has always worked in the gas industry, starting as an engineer in 1976 with North West Gas in Liverpool. Peter then moved on to play a key role in the break-up of British Gas into separate standalone businesses, before joining PNG as Commercial Director in 1997.

Michael McKinstry, Group Finance Director

Michael joined PNG in 1996 and was appointed to the group board in 2006. His responsibilities include finance, business planning, human resources, systems and contracts and procurement. Michael's extensive management experience prior to joining PNG includes roles in heavy engineering with GEC, in the textiles industry with Ulster Weavers and in the energy industry with Premier Power after its purchase by British Gas.

Peter Dixon

FUELLING A CLEANER, HEALTHIER ENVIRONMENT

As a forward-thinking organisation, PNG is dedicated to delivering the benefits of natural gas to homes and businesses throughout Northern Ireland and to making the region a cleaner and healthier place to live and work. The company is making a difference on two fronts – through the normal course of its business and also through its environmental education programmes.

As natural gas is the cleanest fossil fuel – producing up to 50% less carbon dioxide emissions than other fossil fuels – PNG has been able to contribute significantly towards the enhanced quality of air in Greater Belfast and the surrounding area. This means that in the 12 years since PNG launched in Belfast, the company's customers have prevented 2.4 million tonnes of carbon dioxide and 83,000 tonnes of sulphur dioxide from entering the local atmosphere.

PNG is now focused on building on those results and helping customers to reduce their environmental impact still further by educating them on energy efficiency. It is paying dividends too, with PNG customers using on average 25% less energy than their counterparts in the rest of Britain. In the last year alone, PNG customers have saved around 270,000 tonnes of carbon dioxide from entering the atmosphere – the equivalent environmental impact of taking over 84,000 cars off Northern Ireland's roads forever.

Working on the principle that it is never too early to spread the word about energy conservation, PNG has an ongoing education outreach programme that involves giving regular talks at schools throughout the region. Through visiting speakers and educational material, the company is helping youngsters to understand the importance of energy efficiency and the wider environment and showing them how they can make a difference. This generation of young people is the first in Northern Ireland to have grown up using natural gas and many are already firm believers that it can be the fuel of the future alongside renewable technologies.

PNG's efforts have also been recognised in the industry through a recent survey from Business in the Community. The company was voted to be one of Northern Ireland's top performing companies in achieving excellence in environmental management.

TANK & RAST

TANK & RAST HOLDS 90% OF GERMAN MOTORWAY CONCESSIONS FOR PETROL STATIONS, SHOPS, RESTAURANTS AND MOTELS

These concessions include 378 restaurants, 345 petrol stations and 47 hotels. The company's key revenue streams are lease income from tenants and fuel supply commissions from the oil companies.

Tank & Rast's efforts to modernise autobahn services to meet customer needs and to introduce high quality and performance standards have won it widespread independent acclaim

TANK & RAST

€500m
INVESTMENT PROGRAMME LAUNCHED IN 2005

98%
CUSTOMER SATISFACTION RATING

500m
VISITORS A YEAR

TANK & RAST

In 2009, Tank & Rast won a tender for two new sites on the motorway from western Germany to Berlin

INVESTMENT RATIONALE

Terra Firma believed that Tank & Rast could capitalise further on its strong position on the German Autobahn, which was underpinned by long-term concessions granted by the government. The company's stable cash flows were supported by a significant fixed lease component of income and the large number of independent sites represented a highly diversified low-risk portfolio. These high quality assets also came with the benefit of a major investment programme. Furthermore, Tank & Rast's complex operational and contractual structure offered significant opportunities for improved asset yield management, cash generation and potential for evolution of its business model.

In addition to these more defensive qualities, Terra Firma believed there were further opportunities to achieve superior returns through operational development, particularly through capital investment in customer-focused initiatives. Further changes would be focused on the business operating model, with the priority of creating an environment in which the most entrepreneurial tenants could flourish.

OPERATING ENVIRONMENT

Tank & Rast operates long-term concessions granted by Germany's government along Europe's busiest motorway network. The service operations on the sites are sub-leased by Tank & Rast to around 130 tenants. Tank & Rast is responsible for the planning, construction, financing, maintenance and the leasing-out of the site facilities.

In addition to the government, Tank & Rast's main business partners are the oil companies – who supply branding and fuel, but do not operate the fuel stations – and the tenants, who run the petrol stations, shops, restaurants and hotels. The oil companies are a mix of global oil companies and 'Mittelstand' German oil companies, whilst the tenants are typically local individuals or small companies complemented by a small number of corporate tenants.

REDEFINITION OF STRATEGY

Following Terra Firma's acquisition, the business was refocused strategically in three main areas:

The Consumer: international benchmarking showed that at the time of acquisition, Tank & Rast was lagging behind comparable European networks in terms of penetration, conversion and customer expenditure.

Tank & Rast's response was threefold: it worked to improve the food offering by signing development agreements with major international fast food players such as Burger King; it initiated a massive washroom refurbishment programme under the brand 'Sanifair'; and it transformed the visibility of the service stations by gaining agreement from the German regional and federal governments to allow up to four brands to be signposted on the autobahn. This was combined with a newly created brand 'Serways'.

The Tenant: Tank & Rast has consolidated the operation of its 400 individual sites under around 130 of its most effective tenants. They were given the opportunity to operate extra sites offering certain local economies of scale and were supported by further investment from Tank & Rast that would help them to improve their business performance.

YEAR END: 31 DECEMBER	2008	2009
Revenue	€275m	€270m
Costs	(€87m)	(€84m)
Bank interest	(€130m)	(€144m)
Earnings before depreciation and tax	**€58m**	**€42m**
CAPEX	(€76m)	(€52m)

Capital Investment: in 2005, Tank & Rast launched a long-term €500 million investment programme to finance the construction of new sites, the refurbishment of older sites and the introduction of capex-driven strategic and consumer-focused initiatives.

ACHIEVEMENTS

The refocused strategy has resulted in a service station network that compares favourably to the best international benchmarks. Consumer choice has significantly increased and research has shown a jump in customer satisfaction levels. Almost all of Tank & Rast's sites now have motorway signage, the development agreement with Burger King is proceeding well and the Serways brand continues to be rolled out across the network.

In 2008, the Serways brand was officially launched with a big consumer campaign including surveys, press conferences, a TV campaign and special consumer events. The campaign contributed to a significant increase of the Serways brand awareness. In addition, general customer satisfaction reached a new high in all disciplines with overall satisfaction increasing to 98%.

The revolutionary washroom concept, which introduced permanent manning and a revolutionary voucher system, has been an enormous success and has been rolled out across nearly all of Tank & Rast's sites. The concept attracted enquiries from a number of different sectors in both Germany and other countries and is now operating in a number of locations off the autobahn.

In the most European-wide ADAC Autobahn Services Tests of recent years, a Tank & Rast network facility came first and was recognised as offering service levels among the best in Europe as well as being a very family friendly service network. In 2009, this focus on families was continued with the refurbishment of 50 sites including new indoor and outdoor playgrounds.

CURRENT FINANCIALS

Tank & Rast reported slightly lower revenue for 2009 than the previous year. Germany has been severely impacted by the global economic slowdown, with its manufacturing and related logistics sectors being particularly badly affected. As a result, traffic volumes have been lower resulting in lower diesel volumes for commercial vehicles and related gastronomy and retail sales.

Despite these unfavourable market conditions, underlying earnings prior to bank interest were slightly ahead of last year after taking account of some one-off items from the prior year. This reflects the continued strength of Tank & Rast's business model and success of the consumer-focused retail and gastronomy initiatives that have been rolled out over recent years.

Capital expenditure for the year was lower than the previous year, as management has taken a cautious approach to investment in the current environment.

TANK & RAST

Peter Markus Löw, Dr Karl-H. Rolfes, Bernhard Spetsmann, Arjan Breure, Michel Marlière

Arjan Breure, Monika Trebert

DEVELOPMENT PLAN

Towards the end of 2009, Tank & Rast improved the service and quality of the Sanifair washroom facilities at 18 locations with an increase in the customer fee charged for their use. The business will be closely monitoring the results of these trials in the coming year. In addition, it has progressed opportunities to implement Sanifair at new locations away from the Tank & Rast network. Sanifair is now operating successfully in a small number of such locations, including a major German shopping centre, fast food restaurants and in a motorway service station outside Germany. Roll-out into a larger number of sites is expected during 2010.

Tank & Rast has made good progress during the year in working closely with its tenants on its major investment programme to develop and implement an Electronic Point Of Sale and cash desk system, which should drive cost and working capital efficiencies in the network.

Four hotels opened during the year under the B&B Hotels brand with one more under construction. Tank & Rast also agreed a new pilot project with the Federal government to create additional parking spaces close to the motorway service areas. The results of the project will be used to assess the viability of developing this concept on other sites. Tank & Rast has also secured an autohof site accompanied by an extensive parking area.

Tank & Rast has a long-term capital investment programme with several new sites planned every year (subject to success in winning tenders) and an ongoing refurbishment programme to keep all sites up to date. In 2009, Tank & Rast won a tender for two new sites on the motorway from western Germany to Berlin.

MANAGEMENT

Dr Karl-H. Rolfes, Group Chief Executive Officer

Karl was appointed as Chief Executive of Tank & Rast in 2001. His previous role was Director for Motorway Operations and Major Filling Stations with Elf France (TotalFinaElf). Karl started his career at the University of Münster working in the energy sector. After joining Elf Germany, he held a variety of positions including Head of Legal Affairs and Strategy before being named Head of Retail and Restaurant Operations and attending Elf's Ecole Supérieur des Cadres in Paris.

Michel Marlière, Chief Operating Officer

Michel joined Tank & Rast in 2001 as Head of Marketing and Sales and since 2005 has been the business's Chief Operating Officer. Michel's previous roles include Managing Partner at Evologic GmbH and Senior Investment Manager for Information Technologies & Key Account Equity at DEG Deutsche Investitions und Entwicklungsgesellschaft mbH, as well as several leading positions in the oil industry (fuel pricing, controlling, fleet card business and sales).

Bernhard Spetsmann, Chief Financial Officer

Bernhard has been Tank & Rast's Chief Financial Officer since 2005. Before joining the business, he worked independently as a business consultant for various private equity-owned companies, including Tank & Rast. Bernhard's previous roles include a number of positions at Schmalbach-Lubeca AG including Head of Mergers & Acquisitions, Chief Financial Officer White Cap Europe/Asia and Head of Corporate Audit.

Peter Markus Löw, Managing Director and Chief Representative Governmental Affairs, Concessions & Communication

Peter joined Tank & Rast in 2001 with responsibility for the management of concessions and public relations as well as relationships with the federal and state governments. Since June 2008, he has held the position of Managing Director. Before he joined Tank & Rast, Peter held various positions in politics. These included Personal Assistant to the Prime Minister of the state of Saarland and working for two Federal Ministers (Personal Assistant and Head of Communication) within the German Ministry of Transport and Housing.

TARGETING TOMORROW'S DRIVERS

During 2009, Tank & Rast continued its commitment to family-friendly policies by launching a number of initiatives on road safety, including educating children about road safety and the importance of taking a break on long journeys.

As part of the campaign, Tank & Rast refurbished 50 of its sites on the most travelled holiday routes, adding new playgrounds inside and out. These SerwaysKids branded sites were a real blessing for families on long trips, giving youngsters the chance to stretch their legs and have fun while mum and dad grab a much-needed coffee.

Road safety education was another key pillar of the year's campaign, with the company supporting key traffic safety programmes and also inviting school children to Tank & Rast sites to learn more about safe and responsible travelling.

To help educate 3 to 10 year olds on road safety, Tank & Rast became a co-operation partner with the Federal Ministry of Transport, Building and Urban Development, in order to help produce a Traffic Reader featuring the well-known cartoon characters 'Käpt'n Blaubär' and 'Hein Blöd'. Five million copies of the Reader have been printed and are now being used at more than 60,000 kindergarten and primary schools across Germany where they are helping to spread the word about road safety.

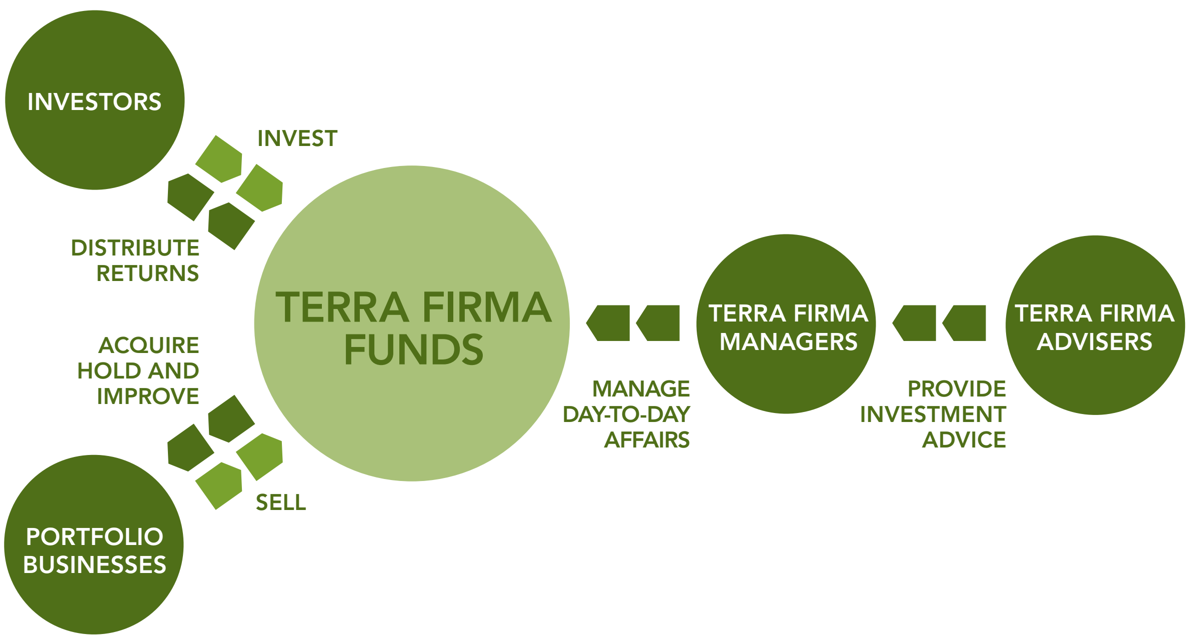
The company also became involved in the Road Courtesy initiative, a nationwide group made up of German newspapers with the goal of improving traffic safety through education. As part of the initiative, Tank & Rast invited two classes of secondary school children to visit two of their sites and become investigative journalists for the day. They were able to question members of the Tank & Rast team and were also given tours of the sites. As well as learning about the importance of taking a break when you travel, the children also found out how a service station works. Lastly, they saw their hard work in print when their articles were published!

All of these initiatives have been warmly received and underscore once again Tank & Rast's commitment to educating people, particularly young people, on the importance of road safety.

3 Terra Firma - Business & Financial Review

INTRODUCTION

THE TERRA FIRMA ADVISERS PROVIDE INVESTMENT ADVICE TO THE GUERNSEY-BASED FUND MANAGERS, WHICH INVEST CAPITAL PROVIDED BY INVESTORS FROM AROUND THE WORLD



The Terra Firma advisory group consists of TFCPL in London, TFCML in Guernsey and terrafirma GmbH in Frankfurt.

Since 1994, Terra Firma has advised on investments amounting to over €13 billion of equity with an aggregate enterprise value of €43 billion.

This business and financial review is based on the principles and guidelines for Operating and Financial Reviews published by the Accounting Standards Board, which is best practice and voluntary. The review contains forward-looking statements and information which:

(i) have been made available in good faith based on the information available up to the time of the release of this report; and

(ii) should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information

STRATEGY

WE FOCUS ON BUSINESSES THAT WILL BENEFIT FROM STRATEGIC, OPERATIONAL OR MANAGEMENT CHANGE

BUSINESS OBJECTIVE

Terra Firma raises long-term capital from investors such as public and private pension funds, insurance companies, endowments and charitable foundations. This capital is channelled through funds managed by the Terra Firma managers with advice from the Terra Firma advisers. The capital is used to acquire basic, asset-backed businesses that are underperforming in some way, with these portfolio businesses then being held by the funds.

Terra Firma's objective is to maximise investor returns by unlocking the underlying potential in the businesses it acquires. Through a combination of strategic change, improved management and sustained investment, the portfolio businesses are nurtured to a higher level of performance.

These revitalised companies are later sold, usually after a number of years, to realise a return for the investors in Terra Firma's funds.

OUR INVESTMENT APPROACH

Since 1994, Terra Firma has consistently applied an investment strategy that focuses on identifying and capturing value in underperforming businesses in basic industries. Terra Firma favours asset-backed businesses that will benefit from our ability to implement strategic, operational or management change.

Through conducting our own research and analysis to identify trends and sectors that are attractive, we form a view of how those macro themes affect the participants in those sectors. This approach of identifying macro themes first followed by identifying specific opportunities underpins Terra Firma's investment strategy.

There are a number of factors that give Terra Firma a competitive advantage when it comes to creating value in its businesses:

DIFFERENTIATED STRATEGY

Our rigorous analysis regularly leads us to develop strategies that are different from the market consensus and to identify opportunities missed by others. It is for this reason that Terra Firma has often invested in sectors that have been overlooked or undervalued by the investment community. Whether by coming up with a different approach to the running of a business, finding solutions to problems which others have considered intractable or taking contrarian views on macro issues, Terra Firma has identified hidden value in many businesses.

TAILORED ORGANISATION

Terra Firma has the full range of specialist skills necessary to pursue a differentiated investment strategy and strategically reposition businesses.

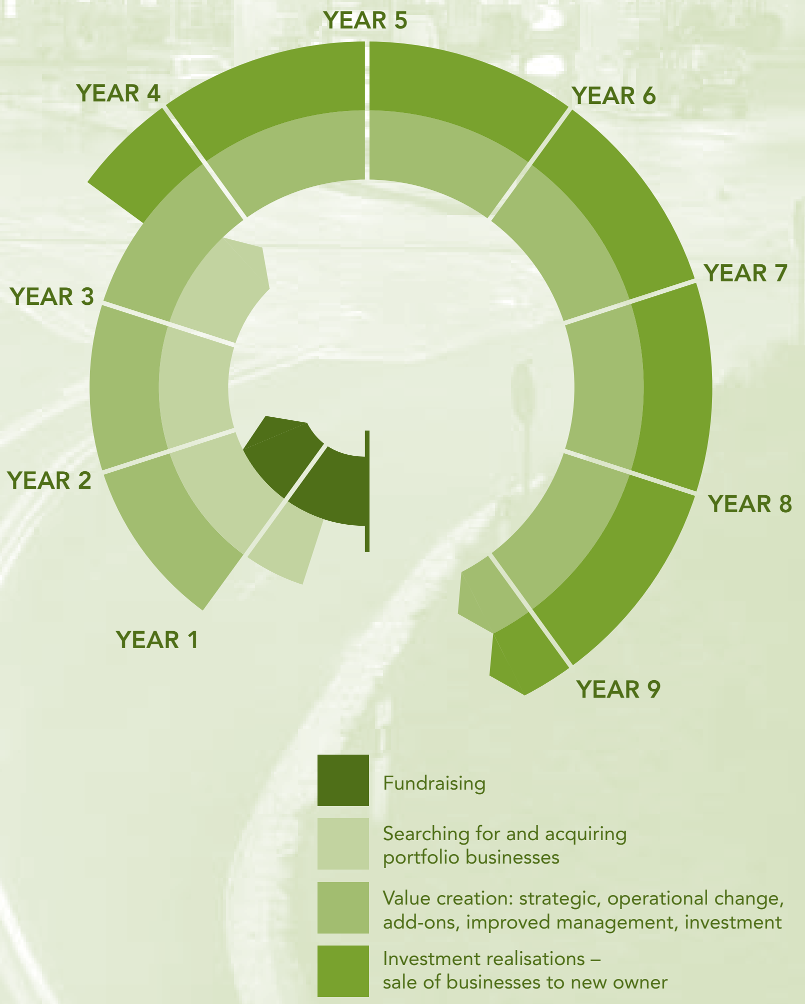
Our financial professionals are drawn from a wide variety of backgrounds including investment banking, consultancy, accountancy, law and direct from university. These financial professionals form the core of the transaction teams.

Our in-house operational team has decades of industry experience. Our most experienced operational experts are the Operational Managing Directors who have been former CEOs of FTSE 250 companies or have run substantial divisions of multi-national businesses. Each of them has worked in many different sectors. Working closely with them is a group of Business Directors who have all had line P&L responsibility in a number of areas and have often spent time working as management consultants. They are also supported by a group of Finance Directors who have many years of operational finance experience working in a wide range of industries and in accountancy practices.

Our in-house legal, tax and structuring specialists have all had long careers at leading law firms or accountancy practices before joining Terra Firma. In these positions, their focus was on transactional work: acquisitions, disposals, and complex financings.

In analysing a potential new investment, each transaction team is drawn from this diverse pool of in-house talent. From the outset, our transaction teams are multi-disciplinary with each consisting of a Financial Managing

LIFE CYCLE OF A TERRA FIRMA FUND



STRATEGY

Julie Williamson in Guernsey

Director, an Operational Managing Director and such number of financial, operational, legal, tax and structuring resources as the investment requires.

Each transaction team has both geographic and sector specialisations which reflect the investment experience and language skills of its members.

Creative tension and the willingness to challenge orthodox views with innovative approaches are key characteristics of our teams. All team members, from whatever background, are expected to contribute to the development of the portfolio businesses.

We believe that having our own team of in-house specialists, in addition to outside third parties, gives us an advantage in identifying proprietary ideas for improvements and changes that can be made in the businesses we acquire. The breadth and diversity of our team is vital for our value approach to investing.

OPERATIONAL EXPERTISE COMBINED WITH ACTIVE MANAGEMENT

Operational expertise is fundamental to enhancing value in our businesses and we involve ourselves directly in the businesses that we acquire at various levels. Our Operational Managing Directors can act in a number of different capacities in relation to the portfolio businesses for which they have responsibility, including acting as an interim CEO pending appointment of a permanent CEO.

This gives Terra Firma flexibility when it is making an investment or when it determines that an existing business needs to move in a different direction. It also allows Terra Firma to address short-term management changes whilst the business is transitioned to a longer-term management solution. In addition to this, an Operational Managing Director acts as a mentor to the portfolio business's senior management.

The period immediately after the completion of an acquisition is particularly important to the success of that investment. This is when it is vital to make sure momentum is created and that management and staff are motivated and incentivised to work with Terra Firma to maximise the value of the business. Working in the business alongside management, our operational team refines the strategic and operational plan that we developed pre-acquisition and helps with its implementation. Our breadth of in-house operational expertise means we are able to address any short-term management changes or gaps whilst the business is in transition.

Ongoing oversight is provided by the portfolio business team which ensures consistent contact with different levels of management and continually evaluates the performance of the investment, the management team and the strategy. This approach ensures that the management team has the support it needs on operational matters and that it continues to follow Terra Firma's defined strategy to enhance value.

Although the level of direct involvement in a portfolio business will likely decrease over time during

Peter Cornell, Arjan Breure in Guernsey

From the outset, our transaction teams are multi-disciplinary

Terra Firma's ownership, Terra Firma remains integrally involved in the strategic decisions its businesses make. In particular, Terra Firma maintains strict control of how capital is invested in a business, whether that capital comes from the business's cash flow or Terra Firma funds, through its corporate governance structure.

BUSINESS MODEL REDEFINITION AND PERFORMANCE IMPROVEMENT

Terra Firma's rigorous analysis and research into an acquisition target's strategy and operations enables us to identify fundamental weaknesses in existing business models and opportunities to significantly improve performance. As well as transforming the business, the intensive overhaul of a company's strategic and operational direction often places it at the forefront of developments in its industry. Playing such an active role in industry leadership differentiates Terra Firma from other private equity firms.

Terra Firma is willing to add additional capital to its investments in order to help the business grow organically or expand through acquisition and we have done just that with most of our existing portfolio businesses. Our initial investment is frequently used to create a platform that can be used to execute our strategic vision. As our strategy takes hold, further value can be created by expanding the scale of operations through acquiring other players in the sector or through capital expenditure on internal projects. The portfolio businesses are heavily involved in any decision to invest further capital.

Terra Firma fundamentally revises both strategy and operations within its businesses to create significant improvements in performance. These types of changes take time, and are not always easy or welcome, but investing for the long term rather than the short term is vital if one is to create successful and sustainable businesses.

BUSINESS DESCRIPTION & ENVIRONMENT

2010 IS LIKELY TO REMAIN A TOUGH YEAR FOR PRIVATE EQUITY FIRMS

Playing an active role in transforming an industry differentiates Terra Firma from other private equity firms

OUR MARKETS

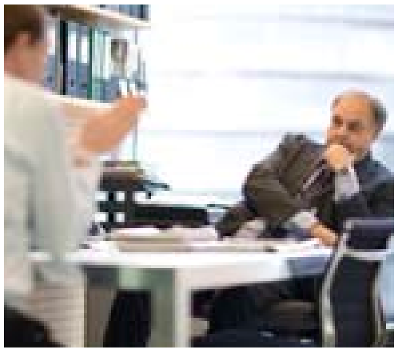
Terra Firma has offices in Guernsey, London and Frankfurt. Over the last five years, we have focused on investments in Western Europe, but have reviewed and made investments around the world when appropriate opportunities have arisen. In the past year, Terra Firma has acquired businesses in Australia (CPC) and the US (EverPower).

Many of our portfolio businesses have extensive overseas operations. Of the 28 investments that Terra Firma has made, 24 have been headquartered in Europe and four have been headquartered outside Europe. Taking the current portfolio as a whole, 27% of its revenues come from outside Europe, with 77% from outside the UK. While we continue to evaluate investment opportunities around the globe, we are particularly interested in pursuing European-based opportunities, especially in some of the stronger continental economies such as France and Germany. To this end, more than half of our investment teams are focused on sourcing investments in continental Europe.

TERRA FIRMA'S DIFFERENCE

Terra Firma's skill is forming an independent view on a sector, understanding how that view affects the sector's individual participants and then using its extensive operational resources to act as change agents on a particular company within that sector. This macro to micro approach to identifying investment opportunities underpins Terra Firma's investment approach.

As well as repositioning a business, the shift in a company's strategic and operational direction often places it at the forefront of developments in its industry. Playing such an active role in transforming an industry differentiates Terra Firma from other private equity firms.



Mike Kinski in London

Chris Barnes, Tim Pryce, Michael Hewett, Karen Dolenec in London

THE OUTLOOK FOR PRIVATE EQUITY AND TERRA FIRMA

The general economic environment has stabilised from the catastrophic situation in which the world appeared to be at the start of 2009. However, although GDP growth has resumed, the private and public sectors in many Western economies are still massively over-leveraged and are benefiting from government stimuli that will have to be removed at some point. It is therefore extremely unlikely that growth will rebound sharply. Instead, it is highly possible that that there will be a 'W'-shaped or even a 'fish hook' recovery where the economy doesn't quite reach the level where it started.

This continuing uncertain climate has several implications for private equity firms. First, volatility is likely to make private equity exits more challenging than people are hoping. Second, last year's increase in stock prices means that sellers will have high price expectations. Third, future private equity deals will largely be driven by making improvements in the operations or corporate strategy of a business to create value rather than by applying leverage. Private equity is returning to being a smaller, less market-correlated and more value-added alternative asset class.

A private equity firm's operational skills are now more fundamental than ever to creating value. At Terra Firma, we have long believed that delivering such operational improvement is absolutely essential. A strong operational team has always been a key part of our business and is vital not only to delivering big picture strategic change, but also for optimising company performance.

While deal volume this year is likely to remain low, we believe that there are both sectors and strategies that will provide excellent investment opportunities for Terra Firma to utilise its operational expertise. These include sectors that are fragmented and are amenable to bolt-on acquisitions and roll up strategies, businesses that require sizeable capital expenditure or development capital, companies that require hard, intensive operational involvement to make them more efficient and businesses that will benefit from expansion into new markets particularly into China or Asia.

Although 2010 is likely to remain a tough year for private equity firms, for those such as Terra Firma that have a disciplined investment strategy and which focus on continuing to build value in their portfolio businesses through strategic and operational change, we believe that there will be exciting opportunities.

BROAD-BASED EXPERTISE

WHAT SETS US APART

The Terra Firma team is complemented by the best expertise available

OUR REPUTATION

Since 1994, Terra Firma has developed a strong reputation in the investment community for independent thought and being able to execute transactions which capture value in underperforming industries through strategic and operational improvement. This has resulted in a robust and high quality pipeline of deals, with Terra Firma being actively sought out by strategic sellers, government institutions, advisers, investment banks and other intermediaries and service providers.

OUR PEOPLE

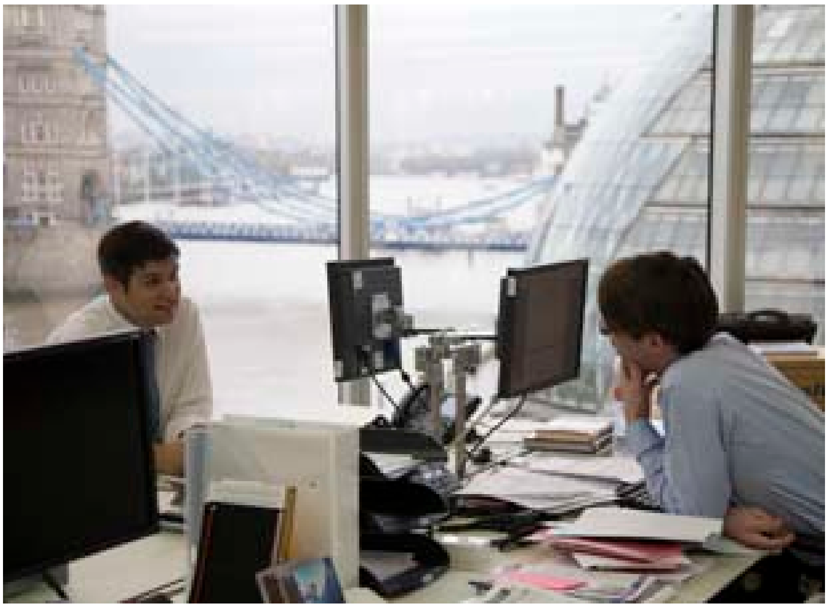
We believe that what sets us apart is the commitment of our staff and the breadth of experience and skills they offer. In total, the Terra Firma advisory team has nearly 100 people based in London, Frankfurt and Guernsey, from 23 countries and speaking 24 languages. Our team of approximately 70 investment professionals is drawn from a wide variety of backgrounds including finance, industry, law, tax and structuring and gives us the diverse expertise we need to analyse each company in minute detail and drive value in the businesses we acquire.

EMPLOYEE TRAINING AND DEVELOPMENT

Our training and development programme is designed to ensure that our people have the skills they need to help our business achieve its strategic goals. As part of their induction programme, all new staff spend substantial time with senior executives to ensure they have a broad understanding of Terra Firma and how it operates.

The nature of the professional training within Terra Firma is broad, depends on the development needs of the individual and can include both technical and soft skill-based training.

Throughout our business, we encourage our people to take responsibility for their own personal and professional development. That development can take many forms such as on-the-job coaching and counselling, job enrichment as well as formal training programmes, courses and professional qualifications identified by the individual, their line manager or



Mark Zubko, Chris Hunt in London

Human Resources. Our sponsorship programme helps those wishing to gain recognised professional qualifications and Terra Firma has a policy of encouraging employees to pursue relevant qualifications that will help their work and career development.

All professional staff have access to training either in interview skills, performance review skills, language training, executive coaching or study courses that will support their development.

All TFCPL investment professionals up to the level of Associate Director are encouraged to obtain the CFA qualification. The CFA Program® sets the global standard for investment, knowledge, standards and ethics. Passing the CFA exam enables the holder to prove that they have mastered a broad range of investment topics and are committed to the highest ethical standards in the profession.

In 2009, TFCPL accepted six entrants onto its Graduate Training Programme. This is a two-year scheme where graduates are given an opportunity to learn about all aspects of Terra Firma's work including working with Investor Relations, Finance, the Transaction Teams, the CIO office and the Operational Teams.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work. In 2009, Terra Firma made four internships available.

TERRA EXTERNA AND TERRA CONSILIA

Terra Firma is also advised by an array of distinguished professionals from the realms of international politics, economics and business. The advisers form two groups: Terra Externa, a political and macro-economic advisory group, and Terra Consilia, an advisory council of highly experienced senior business people.

These two groups provide Terra Firma with the collective experience of renowned figures who lead their respective fields. The groups also provide independent views on the portfolio businesses' performance as well as insights into specific business sectors and how changing political landscapes might affect potential investments and opportunities in new markets.

The members of these groups consist of: Stephen Alexander, Charles Allen, Lord Birt, Ian Bremmer, Fraser Duncan, Professor Gordon Edge, Elizabeth Filkin, George Greener, Michael Kern, Wolfgang Koenig, Phil Nolan, Klaus Rauscher, Werner Seifert and Karsten Voigt.

SPECIALIST ADVISERS

The Terra Firma managers are advised by many professional firms in addition to the Terra Firma advisers.

These include: lawyers and accountants to help carry out due diligence, structure and execute transactions; investment banks to provide financial advice; tax specialists to optimise the tax efficiency of investments; environmental consultants; industry specialists; and business change consultants to assist on strategic change programmes within the portfolio businesses.

CORPORATE SOCIAL RESPONSIBILITY

OUR SOCIAL RESPONSIBILITY EXTENDS TO OUR EMPLOYEES, OUR PORTFOLIO BUSINESSES AND THE COMMUNITIES IN WHICH WE WORK

We aim to act as a good neighbour

At Terra Firma, we take our responsibility to the wider community very seriously. We recognise that the businesses we invest in touch the lives of many people and we are mindful of the social responsibilities that our investments bring. Our social responsibility extends to our employees, our portfolio businesses and the communities in which we work. This approach is key to creating long-term, sustainable relationships that will enable us to better serve our employees, investors and stakeholders.

EQUAL OPPORTUNITIES

As an employer, Terra Firma is committed to maintaining an inclusive, productive work environment in which all workers are treated with respect and dignity. We want each employee to work in a professional atmosphere that promotes equal opportunity and prevents discriminatory practices based upon gender, age, religion, race, disability, sexual orientation or any other form of discrimination that affects work performance or creates an uncomfortable working environment. Terra Firma adheres to strict equal opportunities policies and strives to develop a culturally diverse and inclusive team.

INVESTMENT CRITERIA

When advising on potential investments, we take account of social, environmental and ethical issues. Terra Firma invests in companies that respect human rights and comply with industry standards and local regulations and which act in a socially responsible manner.

COMMUNITY SUPPORT

From 2006 to 2008, TFCPL donated 10% of its net annual profits to the Terra Firma Charitable Trust. In 2009, this donation was split between the Terra Firma Charitable Trust and the Private Equity Foundation. These donations have enabled the Trust to make total commitments of over £900,000 to charitable organisations working in and for our local community.

TFCML is fully committed to supporting its local community in Guernsey and is in the process of evaluating those charities that best fit its charitable investment criteria.

Terra Firma is a founding member of the Private Equity Foundation, an organisation which aims to invest the capital and expertise of the private equity community in charities to help them achieve a step change in their impact.

TERRA FIRMA CHARITABLE TRUST

The mission of the Terra Firma Charitable Trust, a non-profit charitable fund formed and funded by TFCPL and its employees, is to make charitable investments which will directly benefit the local community in the London borough of Southwark, where our largest office is located.

We aim to act as a good neighbour and help develop a sense of pride within our community through donations to locally-based charities that support programmes in Southwark. We also support non-locally based charities which have programmes that focus on Southwark to which we can specifically earmark our donations.

We will principally support programmes that put an emphasis on aiding and educating children and helping the elderly, but will consider proposals outside of this scope if they meet our community focus mission.

10%

OF TFCPL PROFITS DONATED TO THE TERRA FIRMA CHARITABLE TRUST AND THE PRIVATE EQUITY FOUNDATION

£900,000

COMMITTED TO CHARITIES

CORPORATE SOCIAL RESPONSIBILITY

Courtesy of Vitalise

The Terra Firma Charitable Trust is proud to support the following charities and initiatives:

AGE CONCERN
3-YEAR FUNDING (2007–9)

Age Concern Lewisham and Southwark (ACLS) is an independent charity empowering older people to live full and active lives. The only organisation working across the boroughs of Lewisham and Southwark specifically for older people, ACLS helps people often living in poverty and isolation and suffering from age-related health problems such as heart disease, high blood pressure and mental health conditions. Age Concern is dedicated to the promotion of the well-being of all older people and to help make later life a fulfilling and enjoyable experience.

CHILDREN'S COUNTRY HOLIDAYS FUND
2-YEAR FUNDING (2009–10)

The Children's Country Holidays Fund was established in 1884. The charity offers severely disadvantaged children and young people a range of residential activity and respite breaks. It also provides ongoing support to help improve the quality of their lives, recognise their potential and achieve their goals in the safest possible environment.

CREATE ARTS
3-YEAR FUNDING (2008–10)

Create Arts uses creative arts to help transform the lives of the most disadvantaged and vulnerable people in our society. Using leading professional artists, Create develops and delivers an extensive, UK-wide programme of education and community activities across all art forms. Since its foundation, Create has run more than 1,950 workshops, mainly as part of sustained, life-changing programmes, for over 13,900 participants.

DOWNSIDE FISHER
3-YEAR FUNDING (2009-11)

The Downside Fisher Youth Club has supported socially-excluded young people in the Bermondsey area for over 100 years. It was originally established as a boys club in 1908 and since that time has worked with disadvantaged children, helping them learn from each other and offering challenging experiences and learning opportunities that are not otherwise easily available to disadvantaged children in Bermondsey. Downside Fisher encourages different levels of involvement: some members simply socialise; others seek qualifications that will enable them to work in the sports and leisure industry.

KIDS COMPANY
3-YEAR FUNDING (2007–9)

Kids Company was founded in 1996 to provide practical, emotional and educational support to vulnerable inner-city children and young people. Terra Firma funding helped set up the Kids Company's Urban Academy, a post-14 educational and life skills' academy. It is specifically designed to meet the needs of young people who have been rejected by other educational facilities. The Academy provides a balance of courses to help with their life management, along with study and business skills.

PRINCE'S TRUST
5-YEAR FUNDING (2006–10)

The Prince's Trust is a UK charity that helps young people overcome barriers and get their lives on track. Through practical support including training, mentoring and financial assistance, it helps 14-30 year olds realise their potential and transform their lives.

ST CHRISTOPHER'S HOSPICE
3-YEAR FUNDING (2008–10)

Founded by Dame Cecily Saunders, St Christopher's has been caring for people in the final stage of their lives since 1967. The charity is a pioneer in the arena of palliative care and the first to combine pain and symptom

We will principally support programmes that put an emphasis on aiding and educating children

control with emotional, spiritual and practical support. The hospice cares for around 2,000 people a year, including around 500 people who are looked after at home daily. St Christopher's has inspired innovation in 110 countries and continues to provide world-leading training via courses and clinical placements to 4,000 health professionals annually.

THE LONDON MUSIC CENTRE – SOUTHWARK
3-YEAR FUNDING (2009–11)

The London Music Centre was founded 17 years ago with its centre in Islington. Its philosophy is that children and young people who sing go on to learn instruments more quickly and play them more musically. The children are encouraged to sing and play music in many different styles and genres, from 14th century canons to MC and Rap and from opera to rock and music from around the world. Classes are open to all and are offered for a minimal charge or for free.

TOMORROW'S PEOPLE
3-YEAR FUNDING (2008–10)

Founded by Grand Met (Diageo) in 1984, Tomorrow's People has been running as an independent charity since early 2005. In that time, it has helped change the lives of over 400,000 people across the UK who had been resigned to long-term unemployment and welfare dependency. On average, 90% of people helped by its specialist employment advisers are still in work after three months and 76% are still in work 12 months later.

UNICORN THEATRE
3-YEAR FUNDING (2007–9)

The Unicorn Theatre is one of the leading producers of professional theatre for children in Britain. Founded in 1947, its mission is to create amazing shows for children which are fun, challenging and exciting – shows which rise to the challenge of stimulating a child's imagination.

VICTIM SUPPORT
2-YEAR FUNDING (2009–10)

Victim Support in Southwark was set up as an independent charity in 1983 to work with victims and witnesses of crime across the borough. Staff and volunteers are trained to contact people affected by crime to offer free, confidential support and practical advice. People are referred to the charity by the police and agencies or they make direct contact themselves for help. This extends to families and friends of those who have been affected by crime and witnesses who are called to give evidence. The charity was strongly involved in the aftermath of the July 2005 bombings.

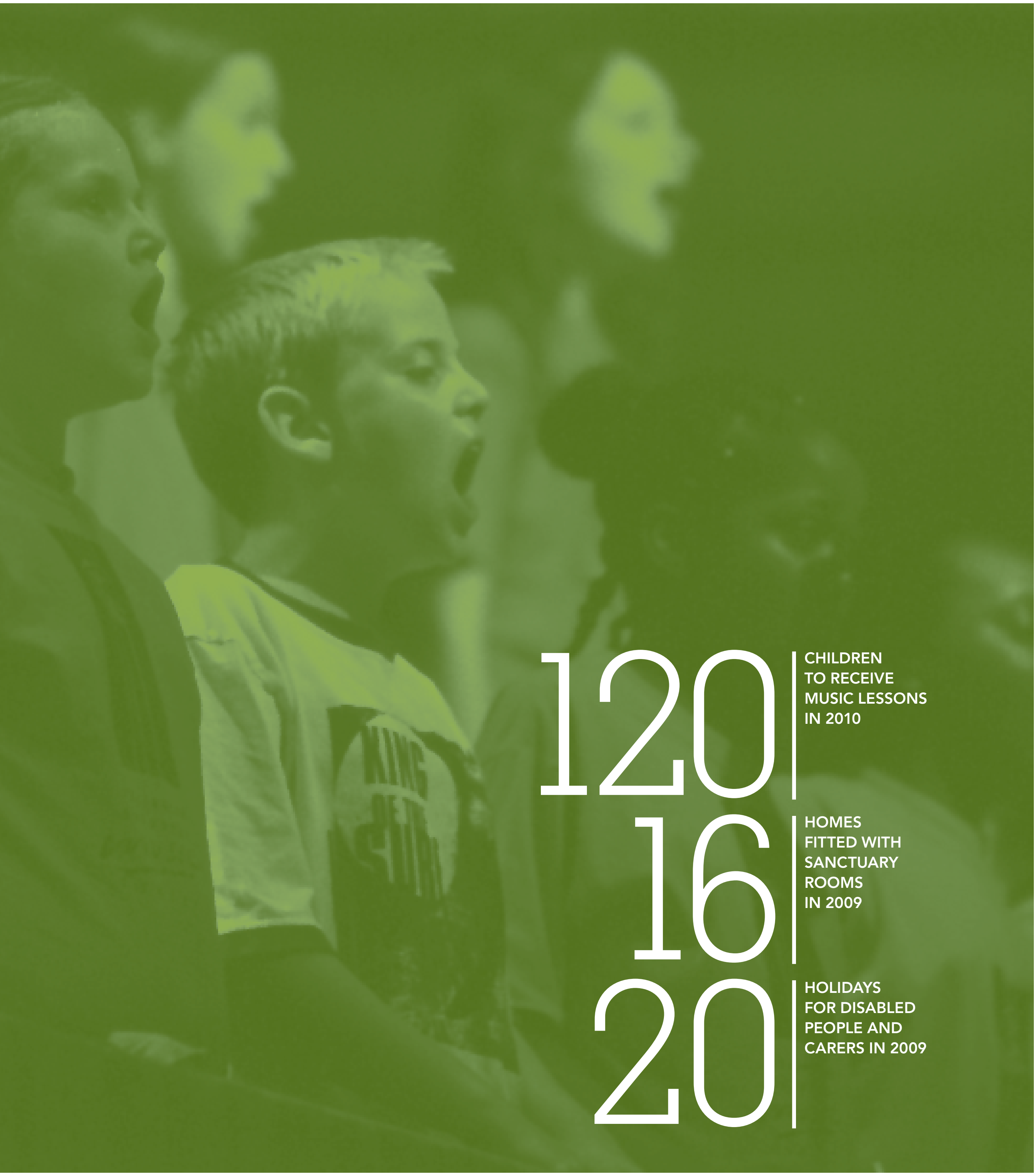
VITALISE
3 YEAR FUNDING (2009-11)

Vitalise has been operating since 1963 and provides an alternative to traditional residential respite care. Each Vitalise holiday centre offers short breaks in a relaxed, holiday-style environment with a variety of trips and activities. Guests, who include disabled and elderly people who require a high level of care, are supported by volunteers who provide companionship and assistance.

XLP
5-YEAR FUNDING (2008–12)

XLP is a charity dedicated to tackling social violence, poverty and educational failure among young people across seven of London's most deprived boroughs including Southwark. XLP works with around 10,000 students a year, running arts, drama, music and video workshops that inspire them to stay on at school and stay away from gangs. Their projects range from running a homework club on a London bus that visits London estates through to teaming up with MTV and EMI to film a programme for the popular series 'Pimp my Ride'.

CORPORATE SOCIAL RESPONSIBILITY



120 CHILDREN TO RECEIVE MUSIC LESSONS IN 2010

16 HOMES FITTED WITH SANCTUARY ROOMS IN 2009

20 HOLIDAYS FOR DISABLED PEOPLE AND CARERS IN 2009

In recent years, the Terra Firma Charitable Trust has chosen to focus on charities that work with children and vulnerable or old people. In 2009, we started to work with four new charities – Downside Fisher, the London Music Centre, Victim Support and Vitalise. Below are some specific examples of what our funding has provided for them over the last few months:

DOWNSIDE FISHER

Downside Fisher approached the Trust with a request for funding to support a new cookery initiative set up in response to the Government's increased focus on counteracting child obesity. A trial programme was run in late 2008 and proved to be extremely popular.

The programme is open to the 10 – 19 age group, and operates in groups of 12. The course aims to introduce young people to a basic cooking programme that will result in the ability to cook a range of healthy foods and give the participants the opportunity to prepare a meal for their families to enable them to showcase their new skills. Each course consists of nine two-hour sessions, once a week. The courses are conducted by Shoreditch Spa, a social enterprise charity and the lead cook is a nutritionist/dietician.

The Terra Firma Charitable Trust provided funding for 60% of the costs associated with the cookery programme with an additional contribution applied towards the core running costs of the charity.

THE LONDON MUSIC CENTRE – SOUTHWARK

The London Music Centre is in the process of setting up a music centre in Southwark and asked the Terra Firma Charitable Trust to support the new centre and its work with local children. Entrance is based solely on ability and any children with parents unable to pay the weekly subscription of £3.00 per pupil will be taught free. The tuition focuses particularly on singing, with additional rhythm and improvisation workshops. Children will be recruited initially from state primary schools in Southwark, and from secondary schools in subsequent years. The Centre has worked to forge good links with Southwark Education and has a planned programme of visits to church and community leaders in the area to help it to respond to local needs.

With the help of the Trust, the centre will offer tuition to 120 Southwark-resident school children in its first year, with the intention of increasing this number to 350 over the first three years.

VICTIM SUPPORT

Victim Support runs various projects within the local borough and the Trust decided to commit its funding to the Sanctuary project. This scheme protects individuals and families who are subject to serious and violent crime in their homes, particularly where there is the risk of repeat attacks. A safe room is created within the home, reinforced and fire-proofed into which victim and children can retreat when at risk of attack and kept safe until the Police arrive.

In 2009, funding from the Trust enabled 16 homes to be fitted with a sanctuary room to protect those most vulnerable.

VITALISE

Care for disabled or elderly people often falls on the family with limited support from local authorities. Caring for a disabled person can be physically and emotionally draining and, particularly when the carer is elderly themselves, this can lead to a decline in their own health, the ability to cope financially and social isolation. The chance to take some time off from caring or to take a break can be very limited. Vitalise reports that it is not uncommon to come across carers who have not had a single day off in ten years or more.

Vitalise provides holidays for the guest and carer in a safe environment where they offer on-call 24-hour nursing care alongside an extensive programme of social activities and entertainment. This gives the carer a chance to take a break from the strain of providing intense care and emotional support for their loved ones.

The donation from the Trust will allow Vitalise to assist older disabled people (and their carers) who are on a low income to take a break with Vitalise. Over the next three years, at least 60 elderly people who are carers, physically disabled or who have Alzheimer's or dementia will now have the opportunity to join a group break to Netley Waterside House in Southampton. This break will be fully funded and easy-access transport will be provided.

CORPORATE GOVERNANCE

TERRA FIRMA HAS A HIGHLY EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK

Nils Steinmeyer, Mayamiko Kachingwe in Guernsey

FRAMEWORK

TFCPL, TFCML and terrafirma GmbH have highly effective corporate governance frameworks which have been developed to meet the needs of small investment advisory businesses. The bodies and processes in place are more immediate and focused than those often seen in large public companies and enable the business to develop flexibly and securely.

THE BOARDS OF DIRECTORS

TFCPL is managed and controlled in the UK. It has a board of UK-based directors comprising three Executive Directors – Tim Pryce, Robbie Barr and Chris Barnes, and one Non-Executive Director – Deborah Pluck.

Tim Pryce was appointed CEO and Director on 31 March 2009, Robbie Barr and Chris Barnes were both appointed on 9 September 2009. Guy Hands resigned on 31 March 2009, Fraser Duncan resigned on 1 July 2009, and Cormac O'Haire resigned on 9 September 2009.

Deborah Pluck is an independent non-executive director and is a Fellow of the Institute of Chartered Accountants in England and Wales. Deborah started her training with a national audit firm in Bristol before moving back to Oxford where she qualified and subsequently became a partner in Oxford's longest established accountancy practice. She holds a number of director and trustee roles outside the practice including Chairman of the Governors of an independent school in Oxford. She is a founder member of The Oxfordshire Women's Forum which champions the role of women in local business.

The Board meets at least quarterly, but in practice more often. The Board's responsibilities include the direction and control of strategy, approval of the annual budget, approval of the Financial Statements, review of Annual Money Laundering and Compliance Reports and appointment of members of subcommittees of the Board. These include the Investment

The business is able to develop flexibly and securely

Manabu Kurata in London

Review Committee, Remuneration Committee and Portfolio Finance Committee.

William Burnand was appointed Company Secretary on 31 March 2009.

Investment Review Committee

The Investment Review Committee ('IRC') consists of Tim Pryce, Robbie Barr and Chris Barnes. The IRC meets weekly or more often if business activity requires. Its role is to review all potential transactions that are due to be proposed to the fund managers in Guernsey. These transactions include, among other things, potential new investments, re-financings or disposals, as well as follow-on financing for the portfolio businesses and post-investment appraisals.

The members of the IRC have the specialist skills to support the transaction teams. The fact that the IRC members are not members of any particular transaction team increases the objectivity the IRC brings to its role.

Remuneration Committee

The Remuneration Committee consists of Tim Pryce, Robbie Barr and Mel Willsmore (Head of Human Resources) and meets as required.

It is responsible for all compensation and benefits issues, including Terra Firma's broad policies and principles and the individual remuneration packages for all of TFCPL's employees.

Portfolio Finance Committee

The Portfolio Finance Committee ('PFC') consists of Robbie Barr, Mike Kinski, Lorenzo Levi, Pat O'Driscoll and Nils Steinmeyer. The PFC usually meets on a monthly basis and its role includes the review of the performance of Terra Firma's portfolio businesses and the determination of the strategic initiatives to be pursued by the portfolio businesses. The PFC is a forum for the relevant Terra Firma team to raise any opportunities, issues and concerns relating to the portfolio businesses. This allows appropriate resources to be deployed and critical decisions to be made in a timely and focused manner.

TFCML has a board of Guernsey-based directors comprising three Executive Directors – Guy Hands, Peter Cornell and Peter Bruges and three Non-Executive Directors – John Loveridge, John Stares and Nigel Carey.

Cormac O'Haire and Iain Stokes resigned as directors on 23 April 2009. Peter Cornell and Peter Bruges were appointed directors on the same day.

John Loveridge was a Managing Director and Principal Shareholder of Redbridge Offshore Limited which was sold in 2002 to Mourant, the Jersey legal and specialist administration firm where he remained as Managing Director until June 2003. From September 1996 to November 1999, he was a Principal and Managing Director of Bridgewater Administration which was subsequently sold to Royal Bank of Canada in November 1999. He previously held senior positions with Guernsey International Fund Managers (Barings) and was

CORPORATE GOVERNANCE

Quentin Stewart, Pat O'Driscoll, Robbie Barr, Guy Hands in Guernsey

Managing Director of Butterfield Fund Managers in both Guernsey and in Grand Cayman.

John has extensive experience in the management and administration of a wide range of institutional, private equity and fund of funds investment vehicles for a worldwide client base. He currently sits on the offshore boards of the funds' General Partners and underlying corporate structures of several major investment groups worldwide.

Nigel Carey is a prominent corporate lawyer who regularly advises banks and mutual funds. He serves as a director of many Guernsey-based mutual fund companies and investment companies.

Nigel qualified in 1974 and was called to the Guernsey Bar in 1975 (partner in Carey Langlois, 1977, and in Carey Olsen, 2003). He is director of a number of Guernsey-based mutual fund companies and investment companies, and is a consultant to Carey Olsen as of 2008. Nigel is a member of the International Bar Association and a former Commissioner of the Guernsey Financial Services Commission.

John Stares has been a resident of Guernsey for the past six years during which time he has taken on a carefully selected set of part-time roles including Managing Director of Guernsey Enterprise Agency, Non-Executive Director to four Channel Island-headquartered businesses, developer of his own business/ charitable interests and leadership roles with two local service and professional organisations.

Prior to moving to Guernsey, John spent 23 years with Accenture as strategic, financial, change & IT consultant, 15 years of which he spent as a Partner. He worked with major clients in most industry sectors. He also held a wide variety of leadership roles in Canadian, German, French, European and global consulting practices. Before joining Accenture, John worked for three years with KPMG, during which

The PFC allows appropriate resources to be deployed and critical decisions to be made in a timely and focused manner

time he qualified as a chartered accountant, and for two years with Lucas Industries working in information technology.

The Geschäftsführer of terrafirma GmbH is due to be replaced shortly and the Prokurist is Robbie Barr.

CONFLICTS OF INTEREST

Terra Firma has a Conflicts Policy addressing both personal and corporate conflicts of interest. Most procedures for dealing with conflict involve, in the first instance, disclosure of the relevant conflict to the affected parties and then either (i) seeking such third parties' consent or (ii) refraining from taking the conflicting action. Detailed provisions are in place to regulate, amongst other things, business or other activities outside TFCPL, entertainment and gifts, personal account dealing and directorships in portfolio companies.

In addition, each of the Terra Firma funds has an Advisory Board composed of representatives of a selection of each fund's investors. The principal purpose of each Advisory Board is to consider and, if thought appropriate, consent to arrangements being entered into when there is a possibility of a conflict arising.

Lorenzo Levi, Arjan Breure in Guernsey

GENERAL ACCOUNTABILITY

AUTHORISED STATUS

TFCPL is authorised and regulated by the UK FSA to provide investment advice to, and arrange deals for, the funds.

TFCML is in the process of registering with the Guernsey Financial Services Commission ('GFSC').

terrafirma GmbH is mandated to provide TFCPL with investment advice in relation to investment and divestment opportunities in Germany and other countries which TFCPL nominates from time to time. terrafirma GmbH is not required to be regulated.

COMPLIANCE OFFICERS

David Sanders is the Compliance Officer of TFCPL. The Compliance Officer's function is to ensure that the UK-based directors and employees comply with the FSA Rules and any other rules and regulations governing the conduct of designated investment business made under the Financial Services and Markets Act 2000.

Mourant Guernsey Limited is the Compliance Officer for TFCML. The Compliance Officer's function is to provide guidance on and the framework for the proper application of relevant local legislation and GFSC rules and guidance.

There is no requirement for terrafirma GmbH to have a Compliance Officer.

FINANCIAL STATEMENTS

TFCPL prepares annual audited Financial Statements. These accounts, which are prepared following UK company law, give a true and fair view of the state of affairs of TFCPL and its subsidiary terrafirma GmbH. TFCPL's year-end is March and the accounts are filed every year at Companies House in London. TFCPL's auditor is Deloitte.

The directors of TFCPL are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of TFCPL and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of TFCPL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TFCML prepares annual audited Financial Statements. These accounts are prepared following the Companies (Guernsey) Law, 2008 to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. TFCML's year-end is March and its auditor is Deloitte.

The TFCML directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of TFCML and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of TFCML and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Terrafirma GmbH prepares annual audited Financial Statements, its year-end is March and its auditor is Deloitte.

CONTINGENCIES – LITIGATION

TFCPL, TFCML and terrafirma GmbH are not currently involved in, and have no knowledge of, any threatened litigation involving any of them which would have a material adverse impact on their results of operations or financial conditions.

OWNERSHIP

Guy Hands is the ultimate beneficial owner of the share capital of TFCPL and its wholly-owned subsidiary terrafirma GmbH.

The ultimate beneficial owners of the share capital of TFCML are discretionary trusts of which Guy Hands and his family are amongst the beneficiaries.

Damian Darragh in London

SENIOR PERSONNEL REMUNERATION

A HIGH QUALITY SENIOR TEAM IS ESSENTIAL TO MAINTAIN OUR POSITION AS ONE OF THE LEADING CONTRARIAN PRIVATE EQUITY FIRMS

REMUNERATION POLICY

The remuneration of our Senior Personnel is designed to attract, motivate and retain staff of the highest calibre. A high quality senior team is essential to maintain our position as one of the leading contrarian private equity firms.

REMUNERATION PACKAGE

The main elements of the remuneration package for our Senior Personnel are as follows:

ANNUAL SALARY

For 2009, the total cash compensation paid to Senior Personnel was £9,115,040 and the average for these 15 individuals was £724,374. Salaries are reviewed annually and are set in relation to an individual's performance and market comparator groups. Senior Personnel are not eligible for bonuses. Terra Firma employees who are appointed to the boards of Terra Firma portfolio businesses do not receive Directors' fees.

Benefits in Kind

Medical Insurance

All Senior Personnel are eligible to join one of the company's medical insurance schemes. Each respective employer pays the premium and the respective employee pays tax at source for this benefit via the monthly payroll.

Permanent Health Insurance

All Senior Personnel are provided with insurance under a company permanent health insurance scheme. These policies provide 75% of pre-disability income (pensionable salary) once an individual exceeds six months' continuous sickness absence.

Pension Arrangements

Senior Personnel are all eligible to be members of a company personal pension scheme. A range of benefits are provided in the event of death whilst employed by the company:

(i) a lump sum payment equal to four times pensionable earnings at the date of death.

(ii) a pension will be provided to an individual's spouse at the date of death, equivalent to 25% of Final Pensionable earnings, together with pensions for each of up to three children under the age of 18 (or 23 if in full time education) equivalent to 10% of Final Pensionable earnings.

(iii) in the event of an employee's death whilst a member of the Plan, the full value of the accumulated fund will be paid to their dependants.

SENIOR PERSONNEL CONTRACTS

It is the company's policy that Senior Personnel have contracts with an indefinite term which provide for six months' notice to be given by either party. Guy Hands' contract provides for six months' notice to be given by him and 12 months' notice to be given by the company.

In addition to the notice period, each contract for Senior Personnel contains restrictive covenants that prohibit the individual from: taking up employment with any business that is (or is about to be) in competition with Terra Firma, soliciting or canvassing customers or clients of Terra Firma; and enticing or trying to entice away any member of staff – for a period of up to six months following the termination of their employment.

ALIGNMENT OF INTEREST IS FUNDAMENTAL TO THE WAY TERRA FIRMA DOES BUSINESS

Terra Firma and its team are one of the largest investors in the Terra Firma funds

As well as investing capital on behalf of others, Terra Firma and its team have committed a total of more than €500 million to the Terra Firma funds. As one of the largest investors, it prospers along with its investors by developing and growing successful businesses.

This alignment of interest is fundamental to the way Terra Firma does business. 'Carried interest' is performance-based and only results in Terra Firma's team participating in enhanced returns if a fund generates a return to investors in excess of 8% per annum over its life. A fund typically has a 10-year life and carried interest is typically paid in the later years when the majority of a fund's investments have been realised and investors have received back their investment plus the majority of their profits. This type of structure aligns interest to help create value in businesses over the long term and, while not perfect, is far superior to the focus on annual results and bonuses that have historically existed in public companies and investment banks.

Phillip Burns in Guernsey

TERRA FIRMA PROVIDES HIGH-QUALITY INVESTMENT ADVICE

RISKS AND UNCERTAINTIES

The Terra Firma advisers must provide high-quality investment advice to the Terra Firma fund managers. This advice necessarily provides views on uncertain future conditions and events which may not turn out as expected. The Terra Firma advisers have the appropriate skilled investment professionals, organisational structure and processes to manage the risk inherent in this activity. Where risks are relevant they are taken into account by the Terra Firma fund managers in the risk and return assessment of a potential investment.

RISK MANAGEMENT

In reaching their decisions, the Terra Firma fund managers take into account the advice of the Terra Firma advisers as well as the fund managers' strategy and the risk and return profile of an investment opportunity. We believe that this consistent approach, and the resulting build-up of knowledge, enhances Terra Firma's ability to extract additional value in transactions and generates higher returns with less risk.

The Terra Firma fund managers bring objective discipline to the review of each investment opportunity. The ongoing dialogue between the Terra Firma fund managers and the team working on a particular transaction results in the sharing of best practices across all Terra Firma transactions as well as identifying additional risks and opportunities that might otherwise have gone unnoticed. It also increases pricing discipline and generally acts as a constructive check for the transaction team.

The advice that the Terra Firma advisers provide aims to take account of potential market risks related to economic and political events and trends. In order to stay apprised of current events and future financial trends and help form its view, the Terra Firma advisers constantly review advice from economic, political, legal, financial, tax and accounting advisory firms.

Terra Firma is advised by two independent advisory councils – Terra Externa and Terra Consilia – which each meet regularly with senior Terra Firma team members. The groups provide independent insight and ideas on specific business sectors, and advise on how current and changing political landscapes might affect investment activity. Several of these advisers also participate on the boards of Terra Firma's portfolio businesses as Non-Executive Chairmen or Non-Executive Directors.

CORPORATE RISK

Terra Firma has in place policies and procedures to appropriately consider and manage its risks as set out below:

Liquidity Risk

Terra Firma has a financial reporting and budgeting process which incorporates regular cash flow forecasts of fee income and overheads. Given the predictable nature of its cash flows, liquidity risk is remote.

Leverage Risk

Terra Firma has no current borrowings.

Interest Rate Risk

Terra Firma has no interest rate exposure as it has no current borrowings.

Currency Risk

TFCPL is exposed to currency risk to the extent that, while its income is predominantly in £ Sterling, some of its costs are in € Euros. These costs relate to the fees paid to its German subsidiary, terrafirma GmbH. While this mismatch is not hedged, management believes it does not represent a material risk to the business.

TFCML has no currency risk.

Competitor Risk

Given the success of the strategy to date and the strength of the advisory team, the Terra Firma advisers consider it unlikely that the Terra Firma fund managers might seek alternative investment advisers.

Key Man Risk

The operations of Terra Firma are highly dependent on a small number of senior personnel, including Guy Hands, being able to perform their roles. Terra Firma has considered the risk of the resignation, incapacity or death of these individuals and has put in place appropriate plans to manage this risk, including the purchase of key man insurance.

1 The risks outlined here represent those faced by Terra Firma. The risks faced by the Terra Firma funds are set out in the Notes to the Accounts in Section 4. The portfolio businesses will face risks in their normal course of business and will be set out in their respective accounts

4 Terra Firma's Funds - TFCP II, TFCP III, TFDA

AGGREGATED FUND FINANCIAL STATEMENTS

BALANCE SHEET	Note	Aggregate 2009 €'000	Aggregate 2008 €'000
FIXED ASSETS			
Investments	3(b), 6	5,106,831	4,598,641
CURRENT ASSETS			
Cash at bank		60,193	58,979
Accounts receivable	7	4,374	3,517
CURRENT LIABILITIES			
Accounts payable	8	1,862	1,496
NET ASSETS		**5,169,536**	**4,659,641**
PARTNERS' CAPITAL AND LOAN ACCOUNTS		**5,169,536**	**4,659,641**

RECONCILIATION OF PARTNERS' CAPITAL AND LOAN ACCOUNTS	Note	Aggregate 2009 €'000
PARTNERS' CAPITAL AND LOAN ACCOUNTS		
At 1 January 2009		4,659,641
Drawdowns in partners' commitments		874,731
Distributions during the year		(4,630)
Net result for the year		(263,865)
Advance of General Partners' share		(97,671)
Foreign exchange impact	3(e)	1,330
At 31 December 2009		**5,169,536**

PROFIT AND LOSS STATEMENT	Note	Aggregate 2009 €'000	Aggregate 2008 €'000
INCOME AND EXPENDITURE			
Bank interest	3(d)	4,982	980
Foreign exchange gain	3(e)	74	(9,142)
Equalisation adjustment	6	(248)	-
Partnership expenses		(12,811)	(13,655)
Foreign exchange loss	3(e)	(25)	-
Auditor's remuneration		(175)	(189)
Bank charges		(13)	(17)
Net Income		**(8,216)**	**(22,023)**
Provision for impairment	3(b)	(255,649)	(1,365,396)
NET RESULT FOR THE YEAR		**(263,865)**	**(1,387,419)**

CASH FLOW STATEMENT	Note	Aggregate 2009 €'000	Aggregate 2008 €'000
RECONCILIATION OF NET RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Net result for the financial year		(263,865)	(1,387,419)
Add back impairment loss on investments		255,649	1,365,396
Equalisation adjustment		248	-
Decrease in receivables		131	1,824
Increase/(decrease) in payables		359	(5,332)
Net Cash Outflow from Operating Activities		**(7,478)**	**(25,531)**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed asset investments		(762,290)	(454,689)
Net Cash Outflow from Investment Activities		**(762,290)**	**(454,689)**
FINANCING			
Drawdowns on partners' commitments		873,274	729,550
Return of Special Limited Partners' distribution held in escrow		73,710	-
Decrease in loans and advances		-	(145,505)
Advance of General Partners' share		(97,671)	(105,396)
Gross distributions during the year		(78,340)	(4,233)
Net Cash Inflow from Financing Activities		**770,973**	**474,416**
Foreign exchange impact	3(e)	9	698
NET INCREASE/(DECREASE) IN CASH		**1,214**	**(5,106)**

NOTES TO THE ACCOUNTS

1. ORGANISATION AND PURPOSE

The financial information presented represents the aggregated financial position and financial performance of the Terra Firma Limited Partnerships described in the following table ('the Partnerships'). The financial information has not been consolidated. The Partnerships aggregated in the financial information are:

PARTNERSHIP	Establishment Date	General Partner
Terra Firma Capital Partners II, L.P.-A ^	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-B ^	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-C ^	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-D ^	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-E ^	22 August 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-F ^	25 October 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-H *	1 October 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 1 LP #	24 November 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2 LP #	25 November 2004	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 3 LP #	23 March 2005	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2a LP #	29 April 2005	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners III *	19 December 2005	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington L.P.+	3 March 2006	Terra Firma Investments (DA) Limited
Terra Firma Deutsche Annington-II L.P.+	19 May 2006	Terra Firma Investments (DA) II Limited
Terra Firma Deutsche Annington-III L.P.+	19 May 2006	Terra Firma Investments (DA) Limited
TFCP II Co-Investment 4 LP #	23 August 2006	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment LP #	4 September 2007	Terra Firma Investments (GP) 3 Ltd
TFCP II Co-Investment 4a LP #	17 September 2007	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment 2 LP #	29 November 2007	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington-IV L.P. +	19 December 2007	Terra Firma Investments (DA) Limited
Terra Firma Deutsche Annington-V L.P. +	19 December 2007	Terra Firma Investments (DA) Limited
TFCP II Co-Investment 4b LP #	4 August 2008	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment A LP #	4 August 2008	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment B LP #	2 July 2009	Terra Firma Investments (GP) 3 Ltd

The principal place of business of the Partnerships is Guernsey. Their day-to-day activities are carried out by the General Partners of the Partnerships on behalf of the Partners.

The main purpose of the Partnerships is to provide partners with long-term capital appreciation through the acquisition of equity and equity-related investments predominantly in unquoted companies in Western Europe and by making other selective equity and equity-related investments.

2. GENERAL PARTNERS' SHARE

The General Partner of the Partnerships marked * receives a profit share of 1.5% of committed capital per annum (1.0% for Terra Firma Capital Partners II, L.P.-H) payable semi-annually in advance. The General Partner of the Partnerships marked ^ received a profit share of 1.5% cent of committed capital per annum up to 27 February 2009. Thereafter, the profit share is based on total aggregate contributions adjusted for disposals and impairments. This is payable semi-annually in advance. Where a Limited Partnership does not yet have sufficient profits any shortfall is funded by payment of an interest-free loan from the Limited Partnership. Such a loan is repayable only out of future allocations of net income or capital gains, but not otherwise.

The General Partner of the Partnerships marked # are allocated a profit share equal to the lesser of 0.001% of Partnership Profits and €1,000 (£1,000 in the case of TFCP II Co-Investment 1 LP).

The General Partners of the Partnerships marked + are allocated a proportion of all amounts of principal, net income, net income losses, capital gains and capital losses, which would otherwise be allocated and distributed to non-executive Limited Partners, as defined in the Limited Partnership Agreements of these Partnerships. The General Partners' share is included within the Partners' Capital Accounts.

	Aggregate 2009 €'000	Aggregate 2008 €'000
Advance of General Partners' share at 1 January	246,235	140,839
General Partners' share for the year	97,671	105,396
	343,906	**246,235**

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Partnerships' aggregated financial statements:

(a) Basis of accounting

The aggregated financial statements have been prepared in Euros (€) since this is the functional currency of the Partnerships (except for TFCP II Co-investment 1 LP) under the historical cost convention and in accordance with the Limited Partnership Agreements.

(b) Investments

Investments are carried at cost less any provision for impairment. When there is an indication of impairment, the General Partner conducts an impairment review of the investment based on whether current or future events and circumstances suggest that the recoverable amount may be less than the carrying value. This review includes techniques such as analysing cash flows, discounted using the market rate of return for similar assets.

In accordance with the Limited Partnership Agreements, investments in subsidiaries and associates are held as part of an investment portfolio with a view to the ultimate realisation of capital gains and hence fully consolidated financial statements are not prepared nor are associates equity-accounted.

(c) Fair value

The General Partner has determined the fair value of all investments in accordance with the IPEVC Guidelines and these are disclosed in aggregate in note 6 to the accounts.

(d) Income

Bank interest is accounted for on an accruals basis. Due to the nature of investments in the Partnerships, whereby they are deemed to be equity or equity-related, investment income receivable and foreign exchange gains and losses on investments are accounted for when the receipt of income is reasonably certain. Where taxes on income received by the Partnerships have been deducted at source, these have been allocated to individual Partners in accordance with the Limited Partnership Agreements.

(e) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All amounts for reporting purposes are shown in Euros. Investment transactions and income and expenditure items are translated at the rate of exchange achieved in the transaction. The assets and liabilities of TFCP II Co-investment 1 LP have been translated into Euros at the reporting date.

4. ALLOCATION OF PARTNERSHIPS PROFITS AND LOSSES

The profits and losses of the Partnerships are allocated between the Partners pursuant to the Limited Partnership Agreements.

5. MATERIAL AGREEMENTS

Under the terms of the Limited Partnership Agreements, the General Partners are responsible for the management of the Partnerships. Under the terms of the Advisory Agreements, Terra Firma Capital Partners Limited ('TFCPL') and Terra Firma Capital Management Limited ('TFCML') have been appointed to advise the General Partners as to the identification, evaluation, acquisition, monitoring and realisation of the investments of the Partnerships.

6. INVESTMENTS	Note	Aggregate 2009 €'000	Aggregate 2008 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS			
As at 1 January		4,598,641	5,514,289
Additions during the year		762,290	454,469
Disposals during the year		-	-
Equalisation adjustment		222	-
Provision for impairment of investments		(255,649)	(1,365,396)
Foreign exchange impact	3(e)	1,327	(4,721)
COST OF INVESTMENTS AT 31 DECEMBER		**5,106,831**	**4,598,641**
Estimate of Fair Value		4,953,020	4,489,826

7. ACCOUNTS RECEIVABLE	Aggregate 2009 €'000	Aggregate 2008 €'000
Drawdowns receivable	2,212	755
Divestment proceeds receivable	-	469
Recoverable costs receivable	2,162	2,293
	4,374	**3,517**

8. ACCOUNTS PAYABLE	Aggregate 2009 €'000	Aggregate 2008 €'000
Accrued expenses	519	467
Recoverable costs payable	-	603
Other creditors	1,343	129
Limited Partner contributions	-	297
	1,862	**1,496**

NOTES TO THE ACCOUNTS

9. RISK MANAGEMENT

Government regulation

The Guernsey General Partners are regulated by the Guernsey Financial Services Commission. The operations of the Terra Firma portfolio companies are, where relevant, regulated by local regulatory authorities where the companies operate. Changes to the regulatory frameworks under which the companies operate are monitored.

The Partnerships operate complex legal and corporate structures across a number of legal jurisdictions. The General Partners of the Partnerships take appropriate professional advice on the suitability of these structures.

Macroeconomic risks

The Terra Firma Partnerships invest mainly in European companies. The performance of their investment portfolios is influenced by economic growth, interest rates, foreign exchange rates, and commodity and energy prices in these countries. This risk is mitigated by the geographically diversified operations of the Terra Firma portfolio companies, which cover over 60 countries.

Investment decisions

The Partnerships operate in a competitive market. Changes in the number of market participants, the availability of debt financing within the market and the pricing of assets may have an effect on the Partnerships' financial position, financial returns and ability to bid successfully for potential acquisitions. The General Partners of the Partnerships appraise potential investments in a rigorous manner, taking advice from a range of advisers, including TFCPL and TFCML.

Valuations and exits

The unrealised valuations of the Partnerships' investments in portfolio companies and opportunities to realise the value in these investments is affected by market conditions, including the availability of debt finance and the level of activity in the buyouts market. The timing of opportunities for the Partnership to exit their investments is also dependent on market conditions.

The Partnerships do not hedge the market risk inherent in their portfolios, but continually monitor current conditions by taking advice from a range of advisers, including TFCPL and TFCML.

Liquidity risk

By giving appropriate notice, the Partnerships may call on their Limited Partners to fund calls for investment and partnership expenses. The Partnerships do not commit to investment decisions beyond their ability to draw funds from investors.

Currency risk

The Partnerships generally report in Euros and distribute profits to investors in Euros. The Partnerships invest in portfolio companies denominated in Euros, US dollars, Sterling and Australian dollars and pay expenses in a range of foreign currencies and hence have an exposure to currency movements. The Partnerships hedge foreign exchange cash flow exposures in relation to the completion of investment acquisitions and realisations where these cash flows are certain.

Interest rate risk

Some Terra Firma Partnerships bear short-term borrowings with floating-rate interest and are subject to risk arising from changes in interest rates. As at year-end, none of the Partnerships had loans outstanding.

Operational and credit risks

The Partnerships are exposed to a range of operational risks inherent in the portfolio companies, including business disruptions, legal and regulatory changes and human resources risk. The General Partners mitigate these risks by taking advice from TFCPL and TFCML, which maintain operational oversight of portfolio business companies supported by a reporting framework and controls. The maximum credit risk of the Partnerships with regard to an individual portfolio company is their carrying value of their investment in the company.

10. LITIGATION

The General Partners of Terra Firma Capital Partners II and Terra Firma Capital Partners III issued proceedings against Citigroup in New York on 11 December 2009 in relation to the acquisition of EMI and events that have occurred since that date. It is expected that the trial will commence prior to 31 December 2010.

CONTACT INFORMATION

TERRA FIRMA'S FUNDS

General Partners
Terra Firma Investments (GP) 2 Ltd
Terra Firma Investments (GP) 3 Ltd
Terra Firma Investments (DA) Limited
Terra Firma Investments (DA) II Limited
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Boards of Directors of the General Partners
Nigel Carey
Peter Cornell
Guy Hands
John Loveridge
John Stares
Iain Stokes

Administrator
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Funds' Auditor
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