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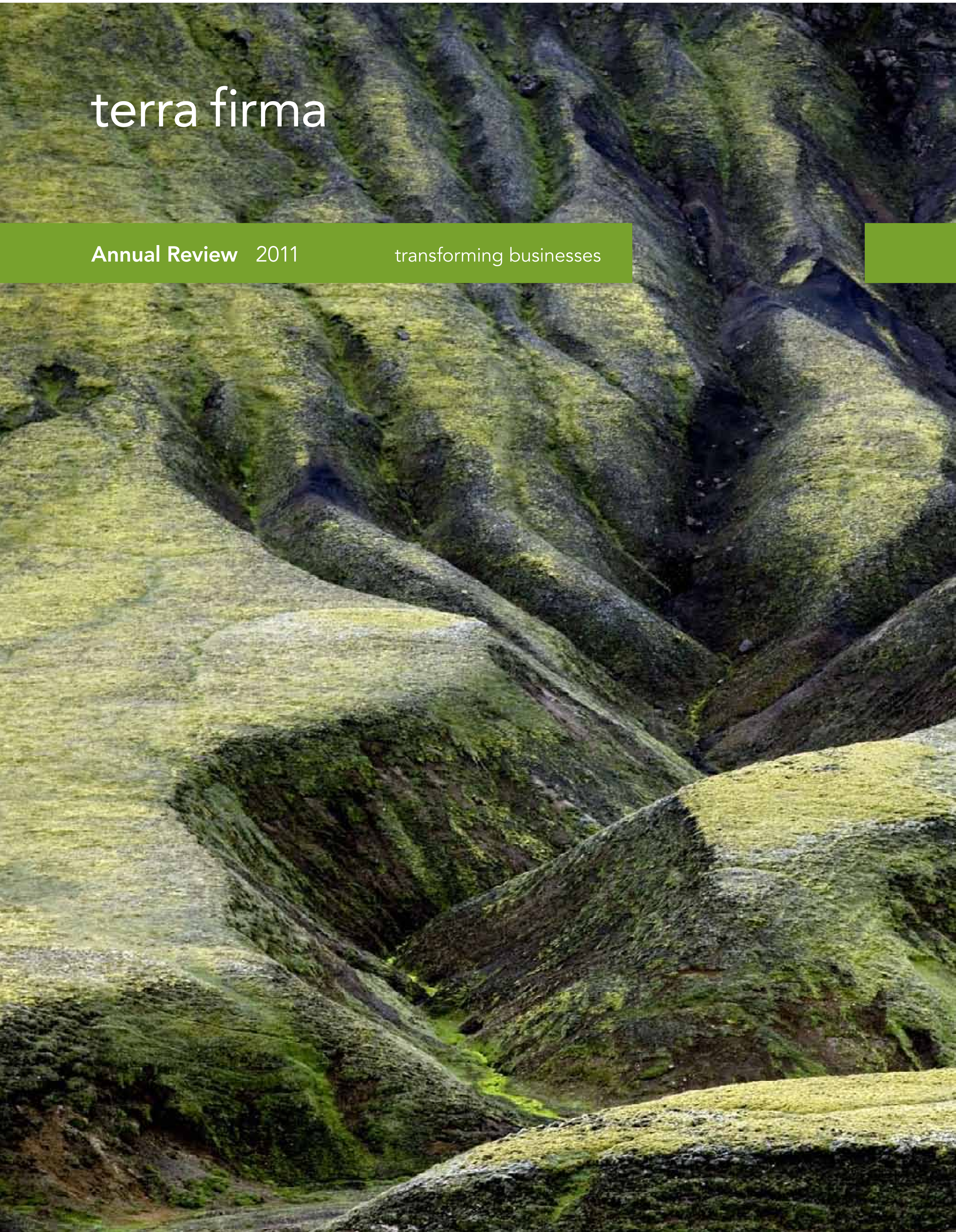
Annual Review 2011

transforming businesses



TERRA FIRMA
TRANSFORMING BUSINESSES

LETTER FROM THE CHAIRMAN

30th April 2012

Welcome to our fifth Annual Review of Terra Firma and its portfolio businesses.

After an encouraging first half, 2011 turned out to be a tough year as further weaknesses in the European banking system were revealed, Europe struggled to find fiscal policy consensus and global recovery speeds became increasingly uneven.

Against this challenging backdrop, the performance of Terra Firma's funds during 2011 was impressive.

This year's Annual Review records a year in which we have added value to our existing portfolio businesses through strategic and operational improvements, invested in our existing businesses through add-on acquisitions, and acquired a new business in the portfolio. This last investment in 2011 was Rete Rinnovabile S.r.l. (RTR), today the leading solar photovoltaic power generation business in Italy.

During 2011, we spent nearly €1.9 billion on building and developing our businesses. This was funded by a combination of cash from within the businesses, funding at the portfolio business level, and in the case of Terra Firma Capital Partners III, new equity. This sum is a reflection of our deep commitment to continued investment in our businesses as well as the number of attractive opportunities for capital expenditure and add-on acquisitions we continue to see across the portfolio.

The steady improvement in the performance of our businesses – displayed in their combined EBITDA growth of 12% last year – reflects the quality of their management and our hands-on approach to guiding their teams. Our strategy has always been to work intensively with our portfolio companies to create value in five ways: changing strategy; strengthening management; improving assets through capital expenditure; building the business through bolt-on acquisitions; and, where possible, lowering the business's cost of capital.

As I explain in my market outlook later in this letter, reducing the cost of capital has not been possible in Europe for the last few years. However, this constraint has not limited Terra Firma's ability to create value. We have embraced and sharpened our focus on the areas of business transformation we can control – strategic change, building better management teams, making accretive investments and building scale.

LETTER FROM THE CHAIRMAN

THE EUROPEAN ENVIRONMENT WILL PLAY TO TERRA FIRMA'S STRENGTHS

PORTFOLIO BUSINESS PERFORMANCE

AWAS, our aircraft leasing business, met or exceeded all of its key financial targets, achieving an 11% increase in full year Operational Profit Before Tax . During 2011, substantial investment was made to diversify AWAS's fleet and drive superior yields.

Phoenix Group, the pre-eminent natural gas business in Northern Ireland, delivered strong financial performance and connected over 9,700 new customers to its gas network in Northern Ireland, well ahead of plan. Odeon & UCI, the largest pan-European cinema operator, also continued its successful expansion programme, completing six acquisitions across Europe and the roll-out of its digital format in the UK during the year.

Tank & Rast, the German motorway service station operator, again posted a year-on-year increase in EBITDA despite the negative impact of high fuel prices on consumer spending in Germany. The business made encouraging progress with its two key initiatives, the roll-out of our high quality toilet system, Sanifair, and the tendering of fuel supply contracts for its service stations.

Our renewable energy investments also expanded significantly during the year. In the UK, Infinis, the UK's largest independent renewable energy generator, delivered strong profit growth well ahead of budget. It continued to diversify its portfolio, particularly in wind generation, by both acquiring and constructing wind assets. EverPower, our US wind development business, also made good progress by building out its development portfolio and starting commercial operations of its second wind farm, the 53 MW Howard project in New York State.

As mentioned earlier, we acquired RTR in Italy, our third renewable energy platform, in March of 2011. We have already substantially expanded the business with two subsequent acquisitions, more than doubling RTR's generation capacity and firmly establishing the business as Italy's leading solar generator. Performance has exceeded our expectations and we are very pleased with its progress to date.

CPC, our agricultural investment in Australia, delivered EBITDA ahead of budget and acquired two further properties during the year.

Lastly, in housing, Annington Homes performed ahead of the prior year despite flat market conditions in the UK. At the same time, Deutsche Annington delivered a good operating performance, exceeding its EBITDA target and launching a strategic initiative to improve the cost and quality of its caretaker and maintenance services by bringing them in-house. This initiative is accretive and continues to improve the living standards of its tenants, a priority for the business.

LETTER FROM THE CHAIRMAN

While focusing on visible business transformation, we have continued to seek opportunities to lower our businesses' cost of capital. In light of market constraints on leverage, our ability to attract new finance at attractive rates is a reflection of the high quality of our businesses.

Odeon & UCI's operating company debt was refinanced at an attractive rate through a £475 million private placement, AWAS secured over $1 billion in new debt financing and successfully reduced the cost of its $530 million term loan by 250bps, and Deutsche Annington raised €50 million in commercial mortgage backed securities (CMBS) in what others might have characterised as a closed market. Deutsche Annington's CMBS issuance is an important sign of confidence as we progress with negotiations to refinance the bulk of the business's debt over the next year.

MARKET OUTLOOK

Our expectation for several years has been that the Eurozone will see anaemic growth this decade. Austerity measures, increased movement towards fiscal and political union, and the support of the weaker states by the more fiscally sound ones will hopefully provide sufficient room for European politicians to muddle through the sovereign debt crisis, but little more.

The biggest impediment to European growth still remains the weak state of the banking sector. Europe's financial system needs increased lending to the private sector, an increased velocity of money in circulation, and a willingness to shake off past troubles and move forward with vigour. Instead, European banks are being obliged to meet new capital rules which require them to shrink their balance sheets, raise more capital or face nationalisation. Most have loan portfolios that are far too large and illiquid, and therefore shrinking their balance sheets has proved difficult. Raising capital is equally difficult for banks as it cannot be done today without destroying the value of the existing equity.

In response, some European governments will have to nationalise the weakest banks, some banks will sell assets, and some banks will raise new capital. I doubt that the scale of nationalisation, of asset sales, or of capital raises will be sufficient to provide a solid foundation for renewed lending. The actions of the ECB have so far provided day-to-day liquidity, but little more, and I do not expect to see European banks back in full lending mode for at least the next three years.

Meanwhile, the strong consensus amongst European leaders for continued austerity is starting to crack. We are going to see increasing political tension between the German leadership, which continues to push for austerity combined with cost-saving and structural reforms, and countries that want to move forward with more growth-oriented policies without even making the structural reforms that are necessary to increase Europe's competitiveness. This conflict will manifest itself not just in the corridors of power but also on the streets and in the ballot box. Greece is clearly an economy that should never have been part of the Eurozone and the task for European politicians will be to find a compromise that allows Greece to leave the euro without economic contagion affecting other European nations.

What Europe needs today is structural reform, cost cutting, a tax regime that incentivises productive investment and an employment regime that incentivises job creation. However, I do not see a change in these areas from the negative attitudes to business and wealth creation that most European politicians espouse. While many talk growth, they lack the understanding that growth comes not from an attitude of clinging to the past and penalising success and forward thinking, but from a confidence that productivity and investment will be rewarded.

Amongst this doom and gloom, we see opportunity. The market in Europe will, as the decade rolls on, offer very interesting investment options as the balance of supply and demand for the kind of assets that Terra Firma invests in changes.

There are several factors that are likely to depress demand for the assets that Terra Firma wants to buy. First, there is less capital overhanging the market. A little over a year ago there was an overhang of over €300 billion in the private equity market. Although some funds may get extensions, by the end of 2013 this money will largely be gone, removed from the private equity capital pool as the 2006 and 2007 vintage fund commitment periods expire. Funds will then only be able to rely on what they can now raise as new capital.

LETTER FROM THE CHAIRMAN

Second, demand will be depressed by anaemic fundraising for European funds over the next few years, with perhaps as little as €50 billion raised per year. That is less than a third of what was raised at the peak of private equity fundraising five years ago. Low growth coupled with anxieties about a possible Eurozone break-up in the longer term is deterring many investors from committing to Europe.

Third, there is far less debt available for asset purchases. Leverage ratios are currently at 40 to 60% loan-to-value, compared with up to 85% in 2007. After 2012, therefore, not only will there be less private equity capital available to complete transactions, but each transaction will also require considerably more capital than it would have four to five years ago. In addition, the €3 trillion of leveraged deals done in the boom years will come up for refinancing between 2012 and 2016. These refinancings will, for the most part, only be achieved if investors are willing to pump more equity into the businesses in question. That is equity that will not be available for new deals.

Putting these factors together, it is clear that demand for private equity deals will not be high in Europe for a number of years. This is in sharp contrast to 2007, when huge demand, supported by cheap debt, inflated prices.

On the supply side, opportunities are beginning to emerge from banks, governments, private equity funds and strategic investors selling non-core assets.

Banks are selling off assets in an attempt to shrink their balance sheets, but they are still being selective about what assets they sell and when. Banks have to take losses on many of their disposals and they cannot afford to take too many losses at one time. In the meantime, those companies controlled by banks are starved of investment and suffer from demotivated management teams.

This is an ideal situation for private equity to add value. Those private equity firms who are equipped with the expertise to add strategic and operational insights can transform and revitalise these 'zombie businesses'. Our two latest investments, The Garden Centre Group and Four Seasons Health Care, are both good examples. These are the sorts of businesses that private equity should target as they exhibit a pressing need for transformation through increased levels of investment and refocused, committed management.

Facing these supply and demand dynamics, the European market will enter into a new phase. In this phase, private equity can contribute to a European recovery through the hard work and intellect of its professionals working in concert with management teams, replacing bank credit committees with a focused long-term equity owner. The focus must be on using capital raised from around the world to transform, build and grow sustainable businesses of real value in Europe.

CONCLUSION

In 2012, we celebrate Terra Firma's tenth anniversary as an independent firm. During that time, our investment philosophy has remained consistent and relevant, and to carry it out we have built a team of people who share a passion for transforming businesses.

The European environment will play to Terra Firma's strengths. Our ability to take a long-term view, our experience of working constructively with governments, our track record of investing in complex situations and understanding regulated industries, and our aptitude for transforming businesses leave us well placed to ensure our investors benefit from the opportunities ahead.

On behalf of all of us at Terra Firma, I would like to take this opportunity to thank all our stakeholders for their support during 2011. I would also like to thank the directors and employees of our portfolio companies for the performance that they, working alongside the Terra Firma team, have delivered.

With best wishes,

Guy Hands

LETTER FROM THE CEO

30th April 2012

For 18 years, Terra Firma has been investing in asset-backed businesses in essential industries that require fundamental change. We aim to create value by transforming those businesses into industry leaders through an active, hands-on approach.

BUILDING CAPABILITIES

In order to achieve this, we have grown and developed our financial and operational expertise. We make the most of our investments by keeping these capabilities closely interwoven within the teams responsible for our portfolio businesses. This integrated approach has proven to be the most effective way not only of building businesses, but also of growing our people. Our success depends upon all team members having a well-developed understanding of, and instinct for, the critical decisions within business. We want them to be entrepreneurial and practical.

By ensuring that our financial professionals work alongside their operational colleagues, we encourage a transfer of skills and insights within Terra Firma. Financial professionals pick-up management, operational finance and business consulting skills; operational experts gain first-hand experience of transactions and large scale investment.

In addition, our financial professionals have the opportunity to work on projects alongside their colleagues within Terra Firma's portfolio businesses. This allows them to see first-hand what it takes to turn ideas into reality; for example, one of our directors, Enrico Del Prete, has spent the last year in our Italian solar energy business, RTR, driving the company's acquisition plans.

On average, we have seven Terra Firma staff deployed per portfolio business and the combination of skills and insights within each team stimulates ideas and high quality decision-making. The benefits are apparent from the point a possible deal is identified and run right through until we sell the business.

We have been using this intense operating model since our inception; it is expensive, but it means we can do more for our businesses and we believe that their performance reflects this.

LETTER FROM THE CEO

CULTURAL AND PROFESSIONAL DIVERSITY ARE AT THE CORE OF TERRA FIRMA

BRINGING IN NEW TALENT

The best way to ensure that we have a team of people within the firm that have the particular skills that we require and a deep understanding of Terra Firma's distinctive approach, is to develop them internally. We therefore recruit some high-achievers direct from university and others at early stages in their careers.

Our Analyst Programme provides them with two years of training during which they gain work experience from circulating around the various teams within Terra Firma: investment; portfolio business management; financial reporting and monitoring; and investor relations.

In August, we welcomed eleven new graduates onto the programme. Collectively, they comprise seven different nationalities and have been educated in a wide range of disciplines from medicine, through engineering to finance.

These backgrounds reflect the cultural and professional diversity at the core of Terra Firma. The broad range of skills that we have in-house helps us develop new insights. Meanwhile, the cultural diversity gives us a global perspective, helping us to source business opportunities and capital from around the world.

Following the opening of Terra Firma's Beijing office in the latter half of the year, we have recruited a team of Chinese nationals to facilitate the development of Terra Firma's business as well as the business of a number of our portfolio companies in China.

During the year we also recruited Michael Eidenschink, Dean Brown, Lorcan Woods and Fergal Leamy to broaden our in-house operational expertise.

PROMOTING EXCELLENCE

When we set up Terra Firma, we set ourselves the goal of developing our team from within. As part of this ongoing process, we were also delighted to announce ten promotions during the year.

Amongst those, Steven Webber's promotion to Financial Managing Director was particularly significant. Steven joined Nomura's Principal Finance Group, the forerunner to Terra Firma, straight from university in 1996. He has worked on some of the firm's most successful investments including transactions as diverse as Annington Homes, Tank & Rast, the group's pub businesses as well as the acquisition of AWAS and its subsequent acquisition of Pegasus.

LETTER FROM THE CEO

Through the promotions we have made over the last four years, we have created a strong bench of Managing Directors. Furthermore, the members of this team demonstrate our ability to retain and develop talent internally; on average the Managing Director group has been with Terra Firma for more than twelve years.

We also see further talent coming up through the firm; during the year we also promoted six new Directors (Tavraj Banga, Nils Steinmeyer, Ali Munir, Enrico Del Prete, Sami Kassam and David Sanders) and three new Associate Directors (Bo Shi, Robin Boehringer and Ryan Macaskill).

BROADENING THE MANAGEMENT TEAM

As Terra Firma has evolved, we have made corresponding changes in the management of the firm. Upon my appointment as CEO in 2009, Guy and I split responsibilities, but not along the conventional corporate lines that our Chairman and CEO titles would suggest. Instead, they were split along the lines of our respective strengths, with Guy's focus being on ideas, deals and strategy, and my focus being on people, organisation and delivery.

Over the past 12 months we have formalised Terra Firma's Management Committee, with Chris Barnes, our Chief Financial Officer, joining Guy, me and Robbie Barr, our Chief Operating Officer. Guy, Chris and I have worked together for over ten years whilst Robbie joined three years ago. We have a complementary balance of skills, experience and styles.

CONCLUSION

Our approach to investment, business transformation and divestment has been carefully honed over the years. In order to create value, teams within Terra Firma are expected to understand and apply the set of principles that define our approach.

During 2011, we have not only delivered a further increase in fund value, but have also made important progress in embedding those principles, building our deal and operational capability, and broadening our management team.

The steady development of Terra Firma's approach and its core capabilities mean that we are very well positioned to benefit from the types of deal opportunities that we are currently seeing in Europe.

Best wishes,

Tim Pryce

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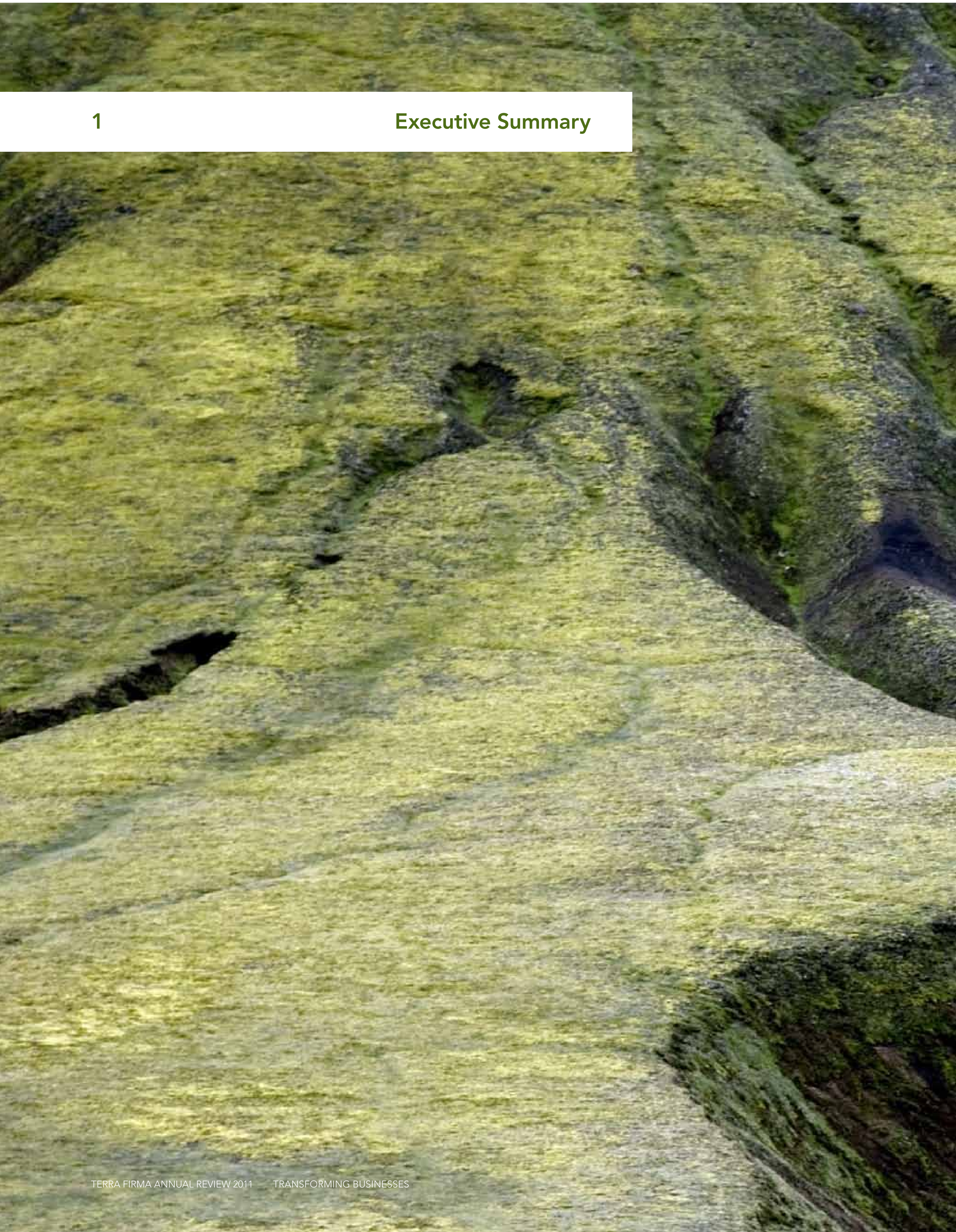


1 Executive Summary

ABOUT TERRA FIRMA

WE CREATE VALUE FOR OUR STAKEHOLDERS BY TRANSFORMING THE STRATEGY, OPERATIONS AND FINANCES OF OUR BUSINESSES

Terra Firma means 'solid ground', reflecting our consistent and distinctive approach to investment.

We raise long-term capital from a wide range of investors to buy sustainable, asset-rich businesses in essential industries that can be transformed through fundamental change.

Our approach is to actively seek out investments in sectors which may be out of favour and in companies which have been under-managed or under-capitalised. 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 to identifying investment opportunities underpins our investment strategy.

We add value through being directly involved in the companies we buy. Through a combination of strategic and operational change, sustained investment and improved management, we transform our businesses. Making such fundamental changes takes time but, with an average investment period of five years, we are a long-term investor and our business plans are designed to deliver sustainable growth.

OUR PEOPLE

We have built up substantial transactional, operational and analytical expertise in-house. This multi-disciplinary capability allows us to manage an investment from the initial identification of an opportunity through the purchase and transformation of a business to its eventual sale. Throughout the course of our investment, our in-house specialists work together with the management teams to maximise the long-term value of our portfolio businesses.

Operational expertise is fundamental to enhancing value within our portfolio companies, 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.

The Terra Firma advisory team is made up of more than 100 people in London, Frankfurt, Guernsey and Beijing drawn from 23 countries and speaking 21 languages. They come from a wide variety of backgrounds including industry, finance, consultancy, private equity, law and accountancy.

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.

The financial information contained in this Annual Review is correct as at 31 December 2011.

ABOUT TERRA FIRMA

5 yrs
AVERAGE LENGTH OF INVESTMENT IN A BUSINESS

€44bn
ENTERPRISE VALUE

190
INVESTORS WORLDWIDE

Robbie Barr, Chris Barnes

ABOUT TERRA FIRMA

We are a long-term investor building sustainable businesses

OUR INVESTORS

Terra Firma invests on behalf of a wide range of organisations including pension funds, financial institutions, sovereign wealth funds, endowments and family offices. A significant proportion of our investors are pension funds, investing on behalf of today's pensioners and the pensioners of the future, many of them retired public employees. Our investors are based all around the world, with two-thirds coming from outside Europe.

The success of Terra Firma's businesses helps to provide enhanced income for all our investors, and we are very aware of the firm's fiduciary duty to these underlying beneficiaries.

OUR STRUCTURE

Terra Firma's funds are typically Guernsey Limited Liability Partnerships. Our three active funds are Terra Firma Capital Partners II (TFCP II) and Terra Firma Capital Partners III (TFCP III), which are general private equity buy-out funds, and Terra Firma Deutsche Annington (TFDA) which is a specialist German residential real estate fund. Terra Firma's investors invest as Limited Partners within the funds, and the day-to-day affairs of each Partnership are managed by its General Partner, a Guernsey-based management company. The General Partners make all investment decisions on behalf of the relevant funds.

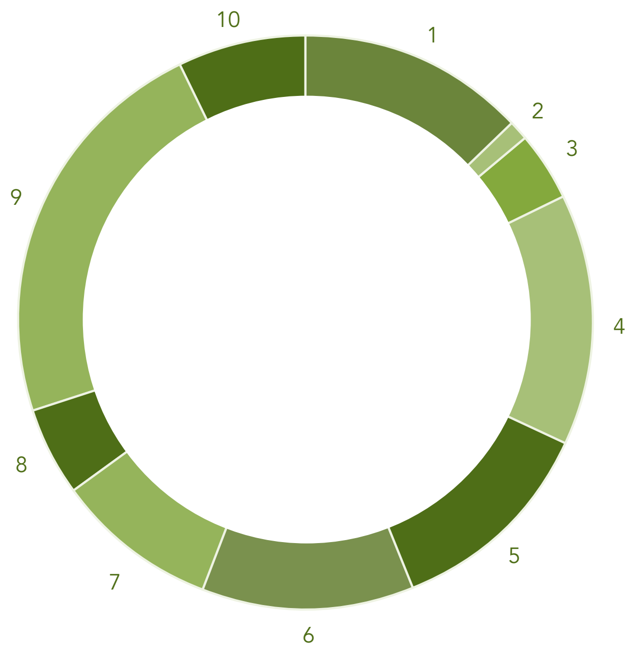
Terra Firma's funds make investments in selected businesses across the world, but with a particular focus on Europe. These portfolio businesses currently operate in 51 countries.

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.

Terra Firma opened a China representative office in 2011, located in Beijing and headed by Bo Shi. The new office was established to support local business development opportunities for the firm's portfolio businesses. The team will explore investment and merger and acquisition opportunities, as well as opportunities to partner with Chinese companies and represents Terra Firma's long term commitment to the region.

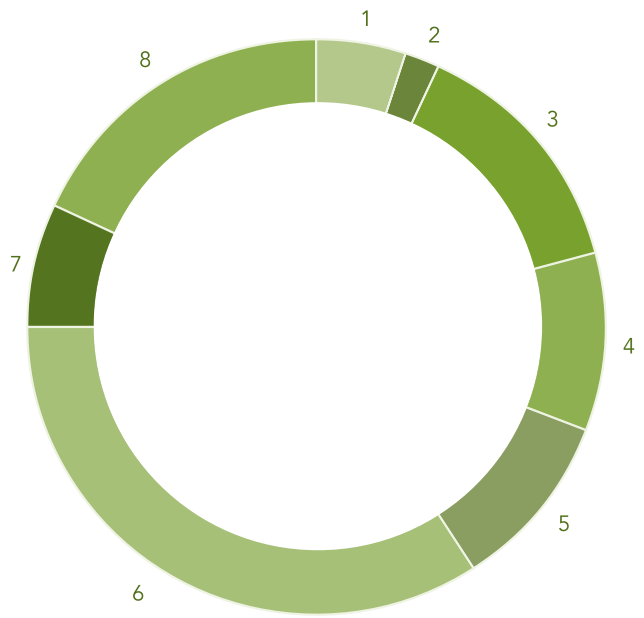
ABOUT TERRA FIRMA

We have a broad investor base



FUND INVESTORS BY TYPE

1 BANK/FINANCIAL SERVICES 13%
2 CORPORATE 1%
3 ENDOWMENT 4%
4 FUND OF FUNDS 14%
5 GOVERNMENT INVESTMENT FUNDS 12%
6 FAMILY TRUSTS 12%
7 INSURANCE 9%
8 PRIVATE PENSION FUNDS 5%
9 PUBLIC PENSION FUNDS 23%
10 TERRA FIRMA 7%



FUND INVESTORS BY REGION

1 ASIA (EXCL. JAPAN) 5%
2 AUSTRALIA 2%
3 EUROPE (EXCL. UK) 14%
4 JAPAN 10%
5 MIDDLE EAST 10%
6 NORTH AMERICA 34%
7 TERRA FIRMA 7%
8 UK 18%

ABOUT TERRA FIRMA

We invest in asset-backed businesses in essential industries that require fundamental change

OUR INVESTMENT STRATEGY

Since 1994, we have had a consistent investment approach which has worked through economic cycles and is not dependent on financial engineering or rising markets, although they may create further upside. Our investment process starts with our view of what is happening at the macro and global level. From there we identify how these trends could create opportunities and look for businesses that we believe are well-positioned to seize them.

Having identified sector opportunities, we look for businesses with three key characteristics to enable us to capitalise on this potential:

ASSET-BACKED

We look for businesses which are rich in assets. This helps protect the value of our investments and provides a stable platform for growth. Assets also offer a wide variety of options to create value for our businesses.

We have real expertise in investing in asset-rich businesses. In the early 1990s, we pioneered the practice of asset-by-asset due diligence within the rail and pub sectors. By breaking down aggregate cash flows, we identified the true potential economic value of each underlying asset. We continue to use this approach today.

ESSENTIAL INDUSTRIES

We only invest in what we call 'essential' industries. They include energy and utilities, infrastructure, affordable housing, leisure, agriculture and asset leasing. These industries are more resilient in downturns and do not depend strongly on technological innovation or branding. They are often in regulated sectors where we have considerable experience.

Given our 'macro-to-micro' approach, we do not have sector specialisms, preferring to be flexible and move between a limited number of sectors, guided by our view of their relative prospects.

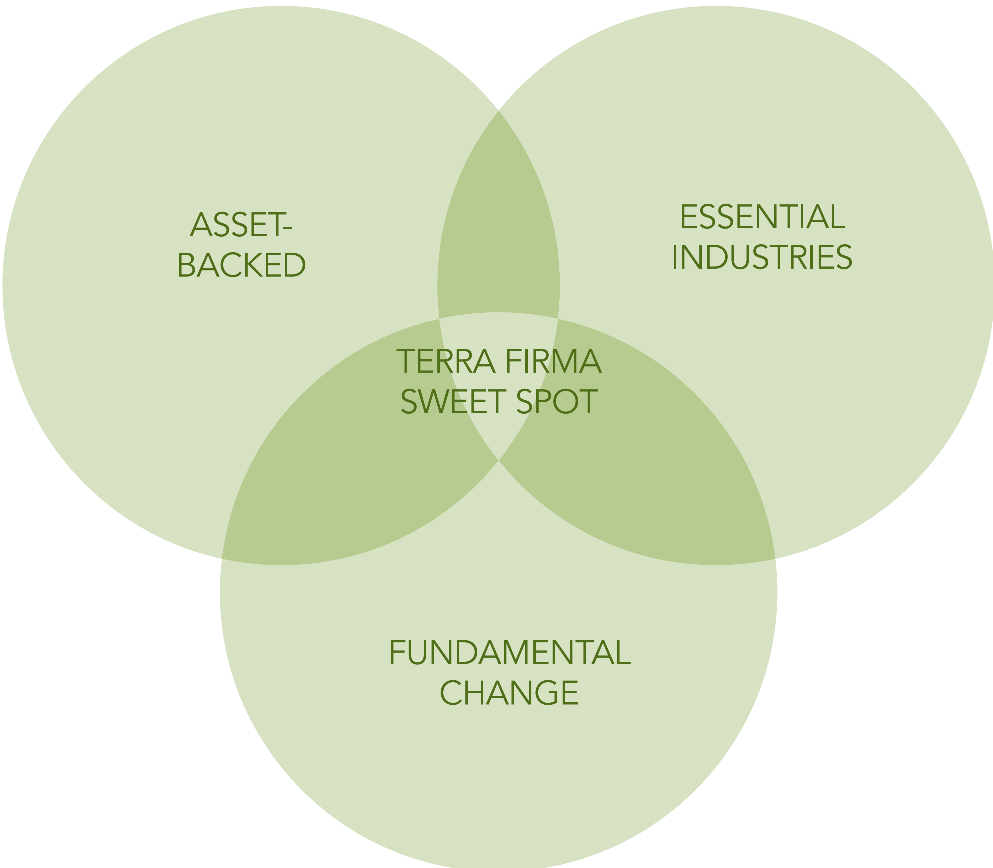
REQUIRING FUNDAMENTAL CHANGE

We identify businesses that require fundamental change, perhaps because of past under-management or under-investment or because they can be repositioned to benefit from a trend that we have identified.

We have a strong track record of transforming businesses by developing new strategies, investing significant amounts of capital and dramatically improving operational performance.

ABOUT TERRA FIRMA

Our investments share these three characteristics:



ABOUT TERRA FIRMA

We look to create value in our portfolio businesses in five ways

CREATING VALUE

We will only make an investment when we are clear how we will create value. This view is based on our own detailed analysis and research and is often different from the views of the business's existing management team and those of other bidders.

Examples of how some of our investments have benefitted from this approach are presented below.

1

TRANSFORMING STRATEGY

Identifying a transformational strategy is central to creating value in a business. A new strategy will frequently be designed to make the most of long-term macro trends identified at an earlier stage in the investment process. This may involve implementing a new business model, repositioning a business within its industry, growing it by acquisition or diversifying its markets.

The intensive overhaul of our companies' strategies and operations has repeatedly put our businesses at the forefront of developments in their industries. We continue to refine and improve the strategies of our businesses throughout our ownership.

Tank & Rast improved the visibility of its service stations and brands on the Autobahn, developed its food offerings and retail propositions, and introduced the successful premium Sanifair toilet facilities across its network. The tenant base was improved by increasing the number of sites operated by better performing tenants and supporting them with further investment to enhance their business performance.

Infinis was originally a small non-core, neglected and largely outsourced biogas division within WRG which was demerged to create a standalone business. The site operations were overhauled and, through acquisitions and organic development, the business has added onshore wind and hydro generation to its portfolio. Today, Infinis is completely transformed and is the leading independent renewable energy generation company in the UK.

2

STRENGTHENING MANAGEMENT

Our aim is to build exceptional management teams in our portfolio businesses. We put in place the necessary capability and incentives to ensure that our strategy and performance improvements are implemented effectively.

We typically strengthen management by combining the existing team with our own experts and with new hires, often from outside the sector to bring a fresh perspective.

A number of our businesses have been acquired with no management. The properties that form the basis of the **Annington** portfolio were sold as assets only and Terra Firma had to put in place a strong team to establish an effective governance and operating structure.

Similarly at **RTR**, we put in place staff, systems and a corporate headquarters in Rome, and recruited a top management team to work with us to scale the business quickly and effectively. In addition, RTR has had strong support from the Terra Firma operational team including a six-month secondment.

ABOUT TERRA FIRMA

1

3

DEVELOPING THROUGH CAPITAL EXPENDITURE

We are ready to invest significantly in our businesses to transform them, and we implement new capital programmes to improve performance and grow our businesses organically. We also develop scalable platforms for expansion, enabling a business to grow more rapidly through acquisitions. All capital expenditure is controlled by Terra Firma using strict return criteria, ensuring that only the highest impact programmes are implemented.

As a platform deal, **EverPower** has benefited from a programme of development through capital expenditure. Since acquisition in 2010, around $353 million has been invested to capitalise the business, while $200 million has been committed to finance future growth.

CPC has undertaken a significant capital investment programme to improve its cattle stations and increase their cattle-carrying capacity. Investment has been made to improve watering points, build yards and laneways, add fencing and bring more land into production.

4

BUILDING THROUGH MERGERS AND ACQUISITIONS

We undertake mergers and acquisitions to strengthen our portfolio businesses, aiming to grow the scale and capability of a business and consolidate and improve its position within its industry. Since 1994, Terra Firma has invested in 30 businesses and executed over 35 additional bolt-on acquisitions to build them.

At **Odeon & UCI**, Terra Firma merged the two separate investments to create a platform that would accelerate consolidation within the broader European cinema market. Odeon & UCI has since added nearly 50 sites and over 700 screens to the company's portfolio.

Through add-on acquisitions, **Deutsche Annington** is now the largest privately-owned residential landlord in Germany, with nearly 210,000 owned and managed units nationwide. The added geographic diversity that this brought has helped to further de-risk an already low-risk portfolio.

5

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

We lower the cost of capital within our portfolio businesses by reducing business risks. We do this by diversifying and stabilising cash flows and resolving business and regulatory uncertainties. We also actively manage the businesses' capital structures through refinancings and securitisations.

AWAS has been repositioned to reduce risk through the acquisition of newer aircraft and the introduction of credit concentration limits and cash maintenance reserves. The capital structure has been actively managed through the introduction of debt financing for pre-delivery payments along with unsecured debt and bond issuances.

Terra Firma and **Phoenix** worked together with the regulatory authorities to agree a mutually satisfactory regulatory framework with transparent and stable gas prices. This also lowered Phoenix's cost of capital and enabled investment decisions to be taken with greater confidence. In 2009, Phoenix completed a refinancing providing eight-year bond financing.

OUR BUSINESSES

2011 – A YEAR OF NEW ACQUISITIONS AND ORGANIC GROWTH

In 2011, we added to our portfolio with the acquisition of RTR, a market-leading solar photovoltaic (PV) power generation business in Italy, whilst continuing to build our existing businesses through organic growth and add-on acquisitions. Over €1.9 billion was spent on bolt-on acquisitions and capital expenditure in 2011.

We have worked to improve the performance of our businesses and despite the continuing economic uncertainty, they performed well in 2011. Our investment and operational teams have worked with the portfolio business management to drive each company forward over the course of the past twelve months. These close relationships, coupled with a continual focus on strategic development, innovation and operational improvement, mean the businesses are well-placed for the challenges that lie ahead.

FINANCIAL POSITION

Despite continued liquidity constraints in the bank funding market, our businesses met all refinancing requirements during the year, and many of them successfully raised new debt funding at competitive rates in order to continue their acquisition and growth strategies. For example, Infinis utilised £100 million of additional debt to acquire three wind farms in Scotland, whilst Odeon & UCI successfully issued a bond for £475 million in May, the proceeds of which will be used to repay the existing facility and finance further acquisitions.

The ability to refinance our businesses is a key component in their continued success. Along with management, we will continue to actively manage our businesses' balance sheets in 2012, following capital market developments closely to ensure they capitalise on any attractive opportunities for refinancing.

VALUATIONS

We firmly believe 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 and valuations audited by KPMG for our annual accounts.

Whilst fair market valuations are important indicators of value, we are a long-term investor and our business plans are designed to deliver long-term sustainable growth rather than short-term profits. The most important valuation is the one attained when a business is ultimately sold, and we are continually working to ensure that the final performance of our investments is as strong as it can possibly be.

Nearly all of the portfolio businesses' fair market valuations have increased since the end of 2010 but, as always, we have been cautious in determining its year-end portfolio valuations.

OUR BUSINESSES

Private equity valuations have three major elements: the operating performance of the portfolio business; the application of a 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.

Our portfolio businesses delivered a solid operational performance in 2011 and most companies reported year-on-year improvements, as shown in the table below.

The weakening of the euro, the reporting currency of our funds, over the course of 2011 continued to positively impact the valuations as portfolio businesses that report in US dollars, sterling or the Australian dollar all benefited.

EBITDA BY PORTFOLIO BUSINESS	CURRENCY	2010	2011	% INCREASE
Annington[1]	£m	117	122	4%
AWAS	$m	649	698	8%
CPC	A$m	17	33	93%
Deutsche Annington	€m	502	510	2%
Everpower	$m	(10)	(11)	10%
Infinis[1]	£m	75	92	23%
Odeon & UCI	£m	92	103	12%
Phoenix Group[2]	£m	21	23	12%
RTR	€m	n/a	75	n/a
Tank & Rast	€m	196	208	6%

[1] Based on nine months to December 2010 and December 2011
[2] EBITA

OUR BUSINESSES

Our businesses delivered solid results and steady improvement in 2011

OPERATING PERFORMANCE

In the face of a challenging economic backdrop, our portfolio businesses delivered solid results and steady improvement in 2011, taking advantage of favourable acquisition opportunities and pursuing an entrepreneurial approach to new initiatives.

ANNINGTON

Annington reported higher rental revenue for the nine months to December 2011 compared with the same period in 2010. This was driven by further acquisitions of rental properties, minimising rental voids and improved rents as part of the Rent Review procedure negotiated with the Ministry of Defence. Sales revenues and volumes improved despite the continued stagnation of the UK housing market.

AWAS

Full year results for AWAS reflected its strong performance in the face of a challenging environment for the aviation industry as airlines struggled with margins due to the increased cost of jet fuel. Gains were achieved from better than expected aircraft sales, overhead cost savings and credit performance. The business took delivery of 30 aircraft in 2011 and has also successfully placed its entire delivery pipeline until mid-2013.

CPC

CPC was adversely impacted by lower than anticipated sales volumes due to the temporary ban on live exports imposed by the Australian Government during June and July 2011. The ban has now been lifted subject to the implementation of strict standards of animal welfare which have CPC's full support, and exports have recommenced.

Encouragingly, EBITDA grew in 2011, due mainly to a better than expected outcome to the year-end cattle revaluation. 2011 also saw the recruitment of a new CEO to assist in driving the business forward and the purchase of two additional properties in Queensland.

DEUTSCHE ANNINGTON

Deutsche Annington continued to grow its EBITDA driven by a strong performance from the Sales division as it benefited from higher volumes and prices as well as continued success in the sale of non-core assets. The Rentals divisions also performed well, though stronger sales meant there were fewer units under management. The business has started in-sourcing its caretaker services with 40,000 units now served by an in-house team of 150 employees, and its plans to provide services for the whole DAIG portfolio by 2013 are progressing well.

EVERPOWER

EverPower continued to expand in its drive to become a wind energy business of scale. Installed capacity was boosted by its second wind farm (Howard), which became operational in December 2011. In addition, the Patton site was purchased construction-ready in December and build-out started concurrently with the large Twin Ridges project; both of these sites are expected to become operational by the end of 2012. Together, these projects mean that EverPower's production capacity is projected to be over 360 MW. This increased capacity and associated revenues means that EverPower will be EBITDA positive by the end of 2012.

OUR BUSINESSES

€1.9bn

SPENT ON INVESTMENTS AND CAPITAL EXPENDITURE IN 2011

€1.8bn

TOTAL EBITDA GENERATED BY OUR PORTFOLIO BUSINESSES FOR THE 12 MONTHS TO DECEMBER 2011

INFINIS

Infinis ended its third quarter 23% ahead of the same period last year. This was driven by the acquisition of three onshore wind farms from Scottish and Southern Energy in April, and further boosted by favourable Ofgem Renewables Obligation Certificate pricing as well as higher wind speeds which increased wind electricity generation.

Infinis's positive performance has been recognised in the 2012 'Sunday Times/Deloitte Buyout Track 100' league table. This ranked Infinis as the fastest growing large buyout business, as measured by its growth over its last two financial years. Infinis was also awarded a CEEQUAL Whole Project Award for Glenkerie wind farm in recognition of its commitment to designing and constructing sustainable projects – described in more detail in Section 2.

ODEON & UCI

Odeon & UCI reported another strong year as it continued its integration plan for the recent additions to the portfolio in the UK, Italy, Spain and Ireland, which includes refurbishment and the installation of 3D digital screens. Despite lower than expected attendance volumes for some films, EBITDA was still 12% ahead of prior year.

PHOENIX GROUP

Phoenix's distribution business continued to expand its customer base, outperforming the budgeted number of new connections by 21%. As well as the cold weather and relatively higher price of oil, this increase has been helped by advertising from new entrants in the supply market which has increased awareness of the benefits of natural gas as an energy source.

Phoenix's supply business had a positive final quarter and has maintained a tariff customer share of 85%, despite the opening of the supply market to competition.

Phoenix was awarded the Sword of Honour in acknowledgement of the emphasis placed on safety within the Group. The award recognises organisations that have implemented safety systems that are among the best in the world.

RTR

Following its acquisition in March 2011, the remainder of the year saw RTR successfully establish key management and operational procedures as well as purchase two additional solar PV portfolios. These acquisitions added almost 100 MW to RTR's production capacity which now totals 241 MW and makes RTR by far the largest solar PV electricity producer in Italy. Revenue of €85 million was better than anticipated due to good operational performance and favourable weather conditions, with EBITDA of €75 million further demonstrating the quality of RTR's asset base.

TANK & RAST

2011 proved to be another difficult trading year for Tank & Rast as the relatively high oil price and tough economic environment impacted the volume of traffic on the Autobahn. The resulting lower fuel volumes and food sales were offset by the benefits of the Sanifair roll-out which continues to gain momentum.

VALUE CREATION

AWAS: GENERATING VALUE AT EVERY STAGE OF AN AIRCRAFT'S LIFE

Since it was acquired in 2006, AWAS has been transformed by Terra Firma from an under-managed, under-invested business into one of the world's leading aircraft leasing companies. Significant investment, a new strategy and a global reorganisation have all contributed to this turnaround, helping AWAS significantly increase the size of its fleet and build a 100-strong customer list that includes many of the leading national and regional carriers around the world.

Today, AWAS is a business transformed, and the effect of that transformation is evident throughout the aircraft lifecycle, from acquisition and leasing through to eventual disposal.

ACQUISITION

Any acquisition in the aviation industry, whether of brand new or pre-owned aircraft, relies on a strong balance sheet. In the last six years, Terra Firma's backing has given AWAS that firm financial footing and allowed it to aggressively expand its fleet and commit to a significant pipeline of forward orders.

The AWAS portfolio has increased from 154 aircraft in 2006 to a current fleet of 224, with a net asset value of $6.4 billion. This increase has come through active trading and the acquisition of a competitor – Pegasus Aviation. AWAS is also a major purchaser of new assets, with 108 next generation aircraft currently on order from Airbus and Boeing. The fact that 35 of those acquisitions were completed in 2011 alone demonstrates AWAS's momentum and the confidence it has in its own business and in the wider market.

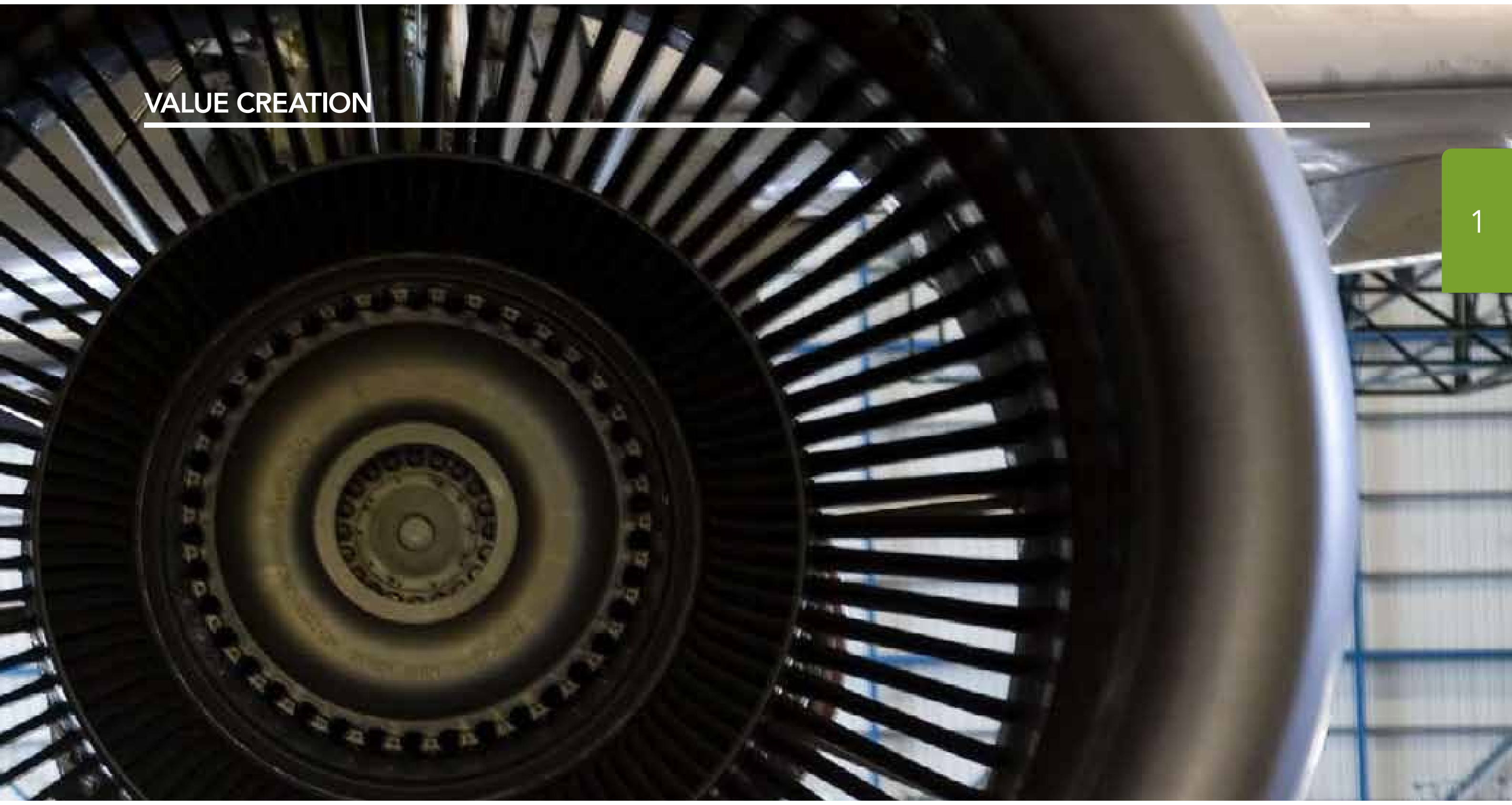
This contracted growth offers a number of clear benefits, not least the ability to generate high returns from today's strongly performing market. Forecasts show that the global aviation industry is expected to double its fleet by 2030. Even more encouraging for AWAS, increasing numbers of airlines are responding to tough economic times by shifting from owning aircraft to leasing them. With such a diverse customer base and strong pipeline of new aircraft, AWAS knows that it can match aircraft to customers more easily than many of its competitors.

Purchase and leaseback is another core option offered by AWAS, again made possible by its strong balance sheet. It is a particularly attractive option for the company as it allows AWAS to purchase aircraft from an airline and then lease them back to the same airline. Having a customer ready and waiting for an aircraft is a major positive for AWAS and allows the customer to manage their costs and balance sheet more effectively.

The geographical spread of AWAS's customer base is a significant advantage. Growth has been, and is forecast to be, particularly strong in Asia, a region where AWAS already generates the highest volume of business at 39% by aircraft value. The company also has a strong presence in the large North American market and is less exposed to Europe where the industry's performance and outlook are weaker.

LEASE

Since 2006, AWAS has developed a more flexible, risk-aware and customer-focused approach to leasing. By offering more flexible options to customers – such as purchase and leaseback deals – and improving fleet planning, the company has optimised the yield from the company's growing portfolio of aircraft.



VALUE CREATION

At the heart of the strategy has been diversification; in terms of aircraft age and type, the number of lessees and their geographical distribution. Now with a fleet of over 200 aircraft ranging from narrow to wide body, from freight to passenger, AWAS is able to meet the needs of all types of airlines in all the key territories.

Historically, one of the key barriers to working with a high number of lessees has been effective management, specifically in relation to risk. By introducing an active credit management system, AWAS has broadened the range of owners it can work with. Customers now range from national carriers with high credit ratings – and therefore able to secure the most competitive leasing rates – through to smaller operators that pay a premium for leasing their fleet.

The diverse profile of AWAS customers has allowed the company to spread credit and concentration risk and generate an industry-leading average asset yield.

DISPOSAL

AWAS also distinguishes itself through its more active strategy in relation to selling aircraft. The business regularly reviews the opportunity to sell older aircraft – those over 15 years – and realise value earlier in the cycle as opposed to retaining ownership throughout an aircraft's life as some competitors tend to do. AWAS's superior technical knowledge and understanding of the older aircraft and component parts market allows it to optimise residual values of older aircraft through multiple channels.

This enables AWAS to improve returns and decrease the average age of its portfolio which is currently seven years, but dropping as new aircraft join the fleet, and is forecast to be around five years by 2015.

Whatever the age of the aircraft, finding a buyer is made easier due to the strength of AWAS's industry relationships and the high number of lessees the company works with; a factor that ensures AWAS is often the first to hear about potential purchasers.

A higher number of relationships also means higher liquidity, something that enables the sales team to agree transactions more quickly and to generate greater value from each asset. The net result is that AWAS is often the first port of call for leading airlines looking to add to their fleet – whether major airlines looking to meet a short-term need or smaller operators without the budget for new aircraft.

THE FUTURE

AWAS is a business that has positioned itself to capitalise on the opportunities offered by a growing and changing aviation market. Financially, strategically and geographically, every decision it has made has been calculated to deliver the best service to customers and the highest returns for the business. Even in the current global economic climate, AWAS has identified areas of opportunity and created a blueprint for the business that offers both immediate and sustainable growth.

LONG-TERM ALIGNMENT

BY INVESTING IN OUR FUNDS, WE ARE ALIGNED WITH 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 strongly believe 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 to the private equity model.

Terra Firma's compensation for its employees reflects this alignment, especially amongst its senior team 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- to 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 closes 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.

Karen Dolenec, Steven Webber, Arjan Breure

Whilst 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 €550 million to our funds and are the largest investor in TFCP III and one of the largest investors in TFCP II. At Terra Firma, our belief in the future success of our investments is demonstrated by us investing our own personal savings, as well as our careers, in them.

1

TRANSPARENCY AND STAKEHOLDER INTERACTION

LONG-TERM VALUE IS BEST CREATED IN BUSINESSES WHICH ARE RUN TRANSPARENTLY AND SUSTAINABLY AND WHICH RECOGNISE THEIR ROLE AS PART OF A WIDER COMMUNITY

The businesses that Terra Firma invests in touch the lives of many people and we are mindful of the social responsibility that our work brings with it. It is essential that all our stakeholders – customers, employees, investors, suppliers, unions, governments and trade bodies – understand our objectives, plans and results, and how our activities and portfolio businesses contribute to the wider community.

We believe that Terra Firma, and the private equity industry in general, can be proud of the contribution they make to society by providing funding for companies and helping them to grow into successful and sustainable businesses. We encourage openness and active dialogue with our stakeholders and those of our portfolio businesses around the role of the private equity industry and the value it creates.

In 2007, following the recommendations made by Sir David Walker in his report on Disclosure and Transparency in Private Equity, we were one of the first private equity groups in the UK to publish an annual review of our business. The majority of our portfolio businesses publish annual reports in line with the Walker guidelines, though this is not mandatory for non-UK businesses. Indeed a report published in March 2012 by the Guidelines Monitoring Group on Transparency and Disclosure – the group created to monitor private equity firms compliance with the Walker guidelines – featured three of Terra Firma's businesses as examples of good disclosure practices.

Alex Adamov, Julie Williamson, Dean Brown

Terra Firma is active in the development of best industry practices, principally through the British Venture Capital Association and the European Venture Capital Association. In addition, Terra Firma has endorsed the Institutional Limited Partner Association Private Equity Principles and is a signatory to the United Nations Principles for Responsible Investment.

OUTLOOK FOR 2012

THE CHALLENGING ECONOMIC ENVIRONMENT IN EUROPE WILL PRESENT SIGNIFICANT INVESTMENT OPPORTUNITIES

David Sanders, Arnold Vos

The faltering global economy and troubled Eurozone made 2011 a more challenging year than many expected, with developed economies continuing to struggle with slow growth, high levels of indebtedness and unemployment. The piecemeal reforms and austerity measures adopted by some of the Eurozone countries will mean that slow growth and a difficult macro-economic environment will persist over the next few years.

The biggest obstacle to European growth remains the fragile European banking system which is restricting access to debt and increasing the pressure on banks to sell non-core assets. In addition to this, more stringent capital rules that are being introduced will require European financial institutions to reduce their balance sheets, thereby further reducing the supply of debt.

For private equity, there will be an increasing supply of assets in Europe as not only banks but governments, strategic investors and other private equity funds are forced to sell non-core investments. Governments will be forced to sell assets to reduce debt and finance the support they have offered their banking systems, and corporates will need to dispose of non-core assets as higher interest costs and the reduced availability of credit restrict their activities.

OUTLOOK FOR 2012

Many private equity funds raised in the pre-2007 boom years are now reaching the end of their fund lives, putting pressure on private equity firms to sell assets and return funds to investors or ask their investors for fund life extensions.

Of the assets coming onto the market, many will have been under-managed and under-capitalised, presenting an unprecedented opportunity for European private equity firms to invest in distressed, capital-constrained businesses in need of strategic and operational transformation.

On the demand side, there will be less competition from strategic investors, corporates and hedge funds. Low growth coupled with anxieties about a possible Eurozone break-up will put some investors off committing to Europe while many private equity funds have less equity available to invest in the region. Those that can invest will need to work harder to raise the required debt as leverage levels now mean that the equity required for an acquisition is almost double that required five years ago.

We believe this combination of increasing supply and reduced demand will create a substantial opportunity in Terra Firma's target market of businesses that need strategic change, focused management teams and access to capital for growth and development.

Our disciplined investment strategy of creating value in our portfolio businesses through strategic and operational change and sustained investment, along with our track record of working with goverments and investing in complex situations and regulated businesses, makes us well-placed to benefit from the difficult environment now prevailing in Europe and the opportunities it will present.

MANAGEMENT COMMITTEE

TERRA FIRMA'S MANAGEMENT COMMITTEE IS RESPONSIBLE FOR THE FIRM'S STRATEGIC DIRECTION, STAKEHOLDER RELATIONS, PERSONNEL AND CORPORATE RESPONSIBILITY

Guy Hands
Chairman and Chief Investment Officer

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

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 sits on the boards of the General Partners and is a member of Terra Firma's Management Committee.

Tim joined Terra Firma as its General Counsel. In this role, he built and led the Legal, Structuring, Tax and Compliance teams. He has been involved in a number of Terra Firma's investments and was also a member of its Investment Advisory and Remuneration Committees.

Tim began his career practising law at Slaughter and May before working at 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 Maîtrise (French law) from the Sorbonne, Paris.

Tim speaks French in addition to his native tongue, English. Tim and his partner enjoy travel and the arts.

MANAGEMENT COMMITTEE

Chris Barnes
Chief Financial Officer

Chris is the Chief Financial Officer of Terra Firma and as such is responsible for investor reporting, fund accounting and transaction equity funding. He is also responsible for internal financial management and all tax issues for Terra Firma, together with the IT and Facilities teams. Chris sits on the boards of the General Partners and is a member of Terra Firma's Management Committee.

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.

Robbie Barr
Chief Operating Officer

Robbie is Terra Firma's Chief Operating Officer and has overall responsibility for the operational management of Terra Firma's portfolio businesses. He also sits on the boards of the General Partners and is a member of Terra Firma's Management Committee. His responsibilities include pre- and post-acquisition operational change planning and implementation, performance monitoring and governance processes. Robbie has a board seat on a number of the portfolio companies. He manages a team of operational, finance and change management professionals which enables hands-on involvement in specific areas.

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 a MA in Mathematics from Magdalen College, Oxford University.

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

SENIOR TRANSACTION TEAM

OUR SENIOR TRANSACTION TEAM HAS THE FULL RANGE OF TRANSACTIONAL, OPERATIONAL AND ANALYTICAL SKILLS TO TRANSFORM OUR BUSINESSES

Arjan Breure
Financial Managing Director

Arjan plays an active role in deal origination and portfolio value optimisation. He currently focuses on operational real estate businesses and residential housing. He is responsible for Terra Firma's investment in Deutsche Annington, the largest residential landlord in Germany, and for Tank & Rast, Terra Firma's autobahn service station business.

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.

Damian Darragh
Financial Managing Director

Damian has completed a wide range of transactions at Terra Firma, including the sale of WRG, the spin-out and development of the Infinis renewable energy business, and the acquisitions by Infinis of Summerleaze Re-Gen and Novera Energy plc. He also led the refinancing of Phoenix Group and the acquisitions of EverPower and, most recently, RTR.

Damian currently focuses on the energy and infrastructure sectors, with a particular focus on renewable power.

Damian joined Nomura International plc in 1993 where he worked with Terra Firma's forerunner, PFG. Following a sabbatical when he completed a Sloan Fellowship MSc at London Business School, he re-joined Terra Firma in 2005.

As well as an MSc, Damian has a degree in Electronic Engineering Science (MEng) from the University of Manchester and L'Institut Supérieur D'Electronique du Nord. He speaks French in addition to his native language, English.

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

SENIOR TRANSACTION TEAM

Karen Dolenec
Financial Managing Director

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

Karen currently focuses on agriculture, natural resources and residential property.

Prior to joining the group in 2001, Karen worked in both the investment banking and the private equity businesses 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.

Mike Kinski
Operational Managing Director

Mike has been involved in a number of the group's investments including some of the pub companies, the UK landfill businesses of WRG and Shanks, and East Surrey Holdings. He is currently the Chairman of Odeon & UCI, Chairman of Infinis and a director of CPC. His other portfolio responsibilities include 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. Prior to this he was a main board director of Jaguar Cars Ltd. He was also a government appointed non executive director of the UK Post Office from 1998–2002.

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 and is currently on the boards of Phoenix Group, AWAS, Tank & Rast and RTR.

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.

SENIOR TRANSACTION TEAM

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, the spin-out of Infinis and its subsequent acquisition of Novera Energy plc 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 a Chartered Accountant and holds a degree in Business from De Montfort University, Leicester. Prior to joining the group in 1997, Quentin worked for Arthur Andersen.

Quentin is married with two daughters. He enjoys sport, film, music and art.

Steven Webber
Financial Managing Director

Steven has worked on some of the firm's most successful investments including transactions as diverse as Annington Homes – one of the very first for the group – Tank & Rast and the group's pub businesses. More recently, Steven worked on the AWAS deal and the acquisition of Pegasus by AWAS, and has focused on the leisure, leasing and transportation sectors.

Steven joined PFG, the forerunner to Terra Firma, in 1996 following his graduation from the University of Reading with a Masters degree in International Securities, Investment & Banking (MSc).

Steven enjoys travel, outdoor sports and photography.

Julie Williamson
Financial Managing Director

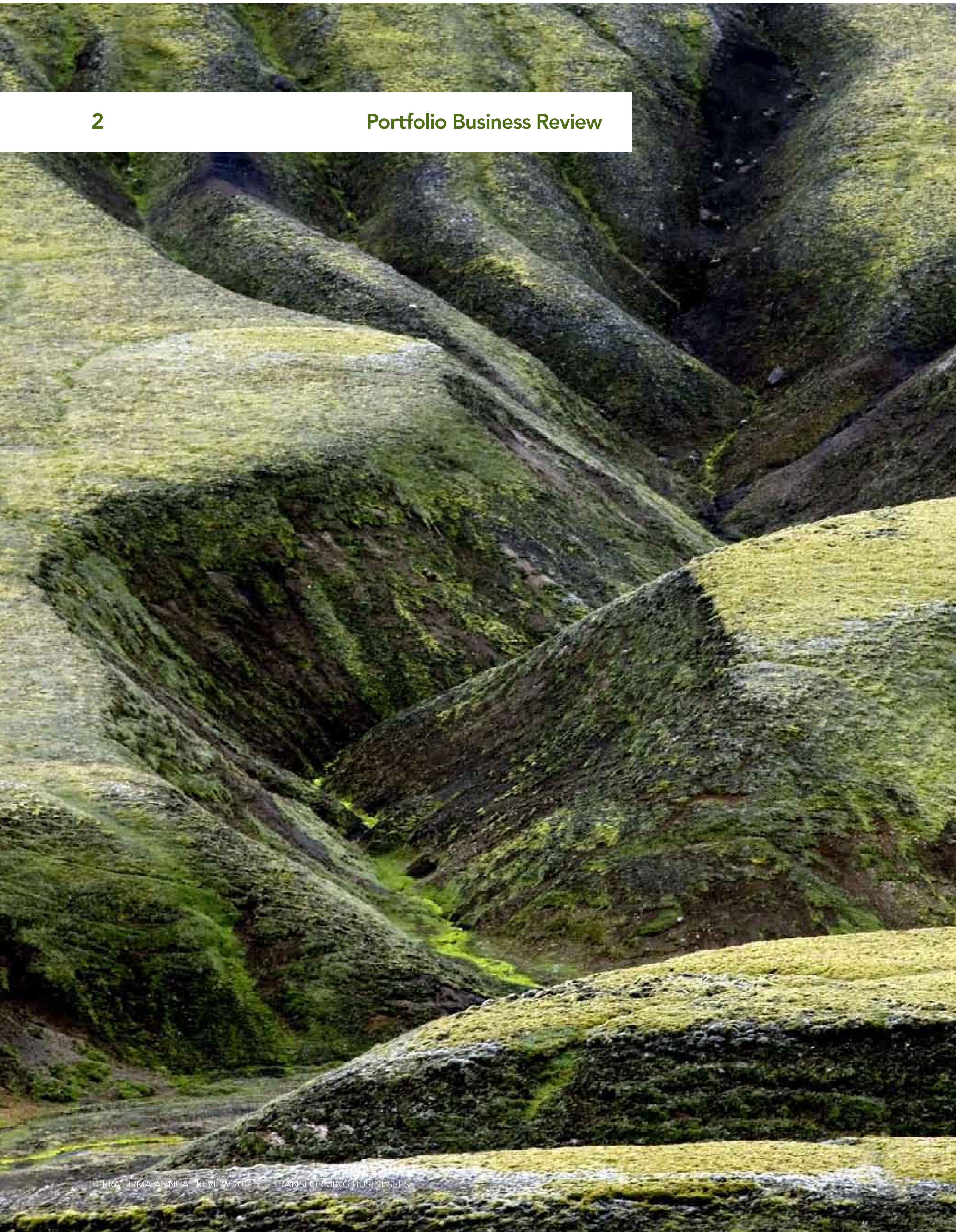
Julie led the team advising on the investment in Tank & Rast and was responsible for its refinancing in 2006 and the partial exit in 2007. Julie was also heavily involved in the group's pub businesses.

Julie currently focuses on the hospitality and leisure sectors.

Prior to joining the group in 1998, Julie worked for Nomura International plc where she headed 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

CREATING VALUE IN BUSINESSES THROUGH TRANSFORMATION AND SUSTAINED INVESTMENT

ANNINGTON	UK residential housing – sales and rentals	infinis	UK renewable energy
AWAS	Worldwide aircraft leasing	ODEON / uci	Pan-European cinema operator
Consolidated Pastoral Company Pty Ltd	Australian cattle farming	PHOENIX ENERGY HOLDINGS	Irish natural gas distribution and supply
DEUTSCHE ANNINGTON	German residential housing – sales and rentals	RETE RINNOVABILE	Italian solar energy
everpower	US wind power	TANK & RAST	German autobahn services

ANNINGTON HOMES IS THE LARGEST PRIVATE OWNER OF RESIDENTIAL PROPERTY IN THE UK

Annington became the largest private owner of residential property in the UK when it purchased the Married Quarters Estate from the Ministry of Defence ("the MoD") in 1996. Annington leases back the majority of its properties to the MoD to provide accommodation for Service families. The MoD is responsible for the management and maintenance of the properties it leases, but once these are released to Annington, they are refurbished and made available for sale or private rental at open market prices

60% of homes sold to first-time buyers since inception

17,000 homes sold since inception

42,000 homes in the Annington portfolio

ANNINGTON

ANNINGTON

ANNINGTON'S SALES APPROACH IS VARIED AND TAILORED TO SUIT LOCAL CONDITIONS

YEAR END: 31 MARCH	YTD DEC 2010	YTD DEC 2011
Rental business revenue	£125m	£132m
Sales business revenue	£50m	£49m
Costs	(£58m)	(£59m)
EBITDA	**£117m**	**£122m**
Net interest expenses - external	(£137m)	(£131m)
Capital expenditure	£10m	£9m
Units sold	296	378
Average sales price per unit	£162,217	£124,035

ANNINGTON

INVESTMENT RATIONALE

Annington acquired more than 57,400 residential properties and was created specifically to manage the properties leased to the MoD and to refurbish and sell or rent on the open market those homes released by the MoD as surplus.

The company now owns over 42,000 homes, which are leased either to the MoD for Service families or to other private tenants.

CREATING VALUE

TRANSFORMING STRATEGY

The strategy for the newly-created business had three objectives: 1) establishing an efficient rent review process which would achieve the best results for the company; 2) developing a flexible and cost-effective refurbishment and sales capability to maximise the potential from sites released by the MoD; and 3) exploring specific opportunities related to either the existing portfolio or further MoD housing requirements.

A flexible sales organisation was created to deal with fluctuating numbers of properties released in unpredictable geographic locations.

Through sensitive pricing strategies and the careful use of incentives, home ownership has been made a realistic option for those who have previously been priced out of the UK's property market. Annington has sold almost 17,000 homes to the public, 60% of them to first-time buyers.

STRENGTHENING MANAGEMENT

The properties were acquired with no management. A team was assembled to establish an effective governance and operating structure. Annington's operating model is based on a small core team that uses outsourcing as a major tool to meet the fluctuating requirements of the business.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Capital expenditure has improved the properties and sites. With the types of properties that Annington owns, the location and environment are very important and it has dedicated substantial investment to creating an attractive environment and 'street scene' around the properties.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Annington has added value through planning, redevelopment and infill development. It has also used available cash to acquire additional properties to lease to either the MoD or private tenants. Annington continues to work with the MoD to find creative solutions to its housing challenges and to look for opportunities to leverage its established management platform.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The stable government-backed rental cash flow from the leased estate, along with proceeds from the sale of properties released, was securitised to reduce the initial investment required to acquire the portfolio.

CURRENT FINANCIALS

For the nine months to December 2011, Annington reported rental revenue of £131m and generated a further £49m of sales revenue from the sale of 378 units. Sales volumes were ahead of prior year, largely as a result of a bulk sale of 124 properties at St Eval in Cornwall which served to reduce the average sales price per unit. Releases from the MoD remain low whilst the implications of the Government's Strategic Defence and Security Review are considered, leading to low sales stock and a lack of geographic spread. Release levels are expected to remain low in the immediate future, but details on future force strength and deployment in the autumn are expected to bring clarity to the situation.

With its long-term financing structure in place, the business has no new near-term funding requirements.

DEVELOPMENT PLAN

Annington faces two significant challenges. The first is the continuing uncertainty in the housing market. With the exception of London, house prices remained unchanged over the year with the UK recording the second lowest level of house sales since records began in 1978. The availability of mortgages and the ability to fund a deposit remain the largest obstacles to recovery, particularly for Annington which operates predominantly at the first-time buyer end of the market.

The second is the release levels which have been particularly low over the last few years and are forecast to remain so in the short term. This is due to a lack of clarity on future force strength and deployment arising from the Government's Strategic Defence and Security Review in 2010. Several key studies which may clarify the situation are due to report in the autumn of 2012 and may lead to higher releases in the medium term but, in the meantime, this has not disadvantaged Annington as low sales volumes in a recessionary environment preserve value and sales proceeds are not required for debt servicing. However, it has led to low stock levels which have clear operational implications, but Annington will continue to refurbish and sell available properties where appropriate.

Historically, Annington's primary business has been the refurbishment and sale of previously-owned homes. However, the 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. This may well afford the business some future opportunities allowing complementary investments at attractive valuations.

ANNINGTON

The business continues to selectively build its investment portfolio of residential rental units by acquiring properties that exceed its threshold return criteria. Annington is also working with the MoD to find creative solutions to its housing challenges.

COMPANY STRUCTURE

Annington operates across three business divisions: Annington Homes manages the core business of renting nearly 40,000 properties to the MoD along with the refurbishment and sale of homes on the open market; Annington Rentals owns 1,550 flats and houses let at market rates to the MoD and others; and Annington Developments seeks opportunities for infill or wholesale redevelopment on all Annington sites.

Andrew Chadd, James Hopkins

MANAGEMENT

James Hopkins
Chief Executive Officer
James joined Annington Homes Ltd as CEO 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 2001 and was then appointed to the Annington Holdings plc Board. 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.

ONWARD AND OUTWARD – THE ANNINGTON CHALLENGE

The Annington Trust has teamed up with the Outward Bound Trust to provide potentially life-changing experiences to young people

Set up in 1996, the Annington Trust is dedicated to supporting Armed Forces families living in Service communities. It might be less well known and smaller than the likes of the Army Benevolent Fund, Help for Heroes and the Soldiers, Sailors, Airmen and Families Association, but the Trust is an extremely active charity that has supported a huge variety of youth-focused projects over the past 15 years. The nearly 400 donations it has made have ranged from a few hundred pounds for crèches and schools through to thousands of pounds towards play parks and community centres.

Always looking for new and exciting initiatives, the Trust has recently started working with The Outward Bound Trust. This educational charity is dedicated to providing access to challenging, adventurous experiences that will help 9-24 year olds raise their self-confidence and equip them with essential skills for their future, regardless of their background or financial situation.

For 2012, the Trust has set up a pilot scheme – the Annington Challenge – that will see up to 50 children from Service families take part in an Outward Bound® course in some of the most stunning wilderness locations in the UK. The eight-day course will be an adventure as well as a great learning experience, with youngsters taking part in activities like rock climbing, orienteering in the hills, scrambling up rock gorges and canoeing. The course will end with a two-night camping expedition.

For the children, it is a chance to build self-confidence and learn about team work, leadership, problem-solving and communication – and to have fun in the process. The Annington Trust is acutely aware that many military bases are in remote locations and that, with the financial cutbacks, the opportunities for young people are becoming increasingly limited. "We wanted to come up with something that would be challenging and appeal to the young, but could also be potentially life-changing," says Chairman of the Trust, Air Vice Marshal Sandy Hunter.

The Annington Trust is asking each of those taking part to raise a £50 sponsorship, seeing this as key to demonstrating their commitment to the course. The rest of the cost is being met by the Trust. "All that we ask in return," says Sandy Hunter, "is that they agree to write a short report on their experiences to help us promote the Challenge next year."

The take-up has been excellent. The Trust is intending to offer 50 places in 2012 compared to the 30 that were originally planned, and this level of interest has enabled the Trust to commit to running the scheme again in 2013.

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

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

AWAS has more than 220 aircraft on lease to over 90 customers globally and a pipeline of more than 100 aircraft on order. The company serves markets in the Americas, Europe, the Middle East and Asia-Pacific, with a customer base that includes some of the world's major international and regional airlines. Its principal sources of revenue are lease rental payments and the proceeds of aircraft sales

AWAS

90
LESSEES WORLDWIDE

220
MORE THAN 220 AIRCRAFT IN THE PORTFOLIO

$1.4bn
COMMITTED TO AIRCRAFT PURCHASES IN 2011

AWAS

IN 2011, AWAS INVESTED SIGNIFICANTLY IN GROWTH, COMMITTING $1.4 BILLION TO THE PURCHASE OF 41 AIRCRAFT

YEAR END: 30 NOVEMBER	2010	2011
Revenue	$726m	$780m
Costs	($77m)	($82m)
EBITDA	**$649m**	**$698m**
EBIT	$389m	$418m
External interest expense	($228m)	($238m)
Operating PBT	**$161m**	**$180m**
Capital expenditure[1]	$754m	$1,338m

[1] includes deposits on aircraft

AWAS

INVESTMENT RATIONALE

At acquisition, AWAS owned 154 Airbus and Boeing aircraft, some with attractive long-term leases and many providing attractive rental yields. The acquisition of Pegasus added a further 80 planes to the asset base and diversified the portfolio.

The aviation transportation sector is an essential part of economic development and the world fleet is expected to double by 2030. Furthermore, leasing companies' share of new orders is set to increase as airlines shift from owning to leasing.

AWAS was a non-core asset, under-managed and starved of investment with an older than average asset portfolio and no new aircraft on order. The business had significant credit exposure with no real risk management framework as well as customer concentration issues. The management team and company organisation had no centralised authority, making communication and decision-making ineffective and slow.

CREATING VALUE

TRANSFORMING STRATEGY

A new strategy was set out for AWAS to adopt a customer-focused approach to leasing, providing tailored customer solutions and forward fleet planning. It introduced a new risk management framework to actively manage credit and concentration risk and created additional value by reducing operating costs in the business.

STRENGTHENING MANAGEMENT

The management team was replaced and the workforce rationalised shortly after acquisition. AWAS's operations were relocated to a new headquarters in Dublin, Ireland, which has a strong leasing community with an attractive taxation environment, and Pegasus's operations were folded into this. Today, AWAS is an efficient scalable platform with 125 people managing more than 220 aircraft.

DEVELOPING THROUGH CAPITAL EXPENDITURE

AWAS is resourced to capitalise on aircraft investment and disposal opportunities in addition to the more typical 'buy and hold' strategy. As part of this more active strategy, the business sells off aircraft as they get older in order to improve the return on the portfolio.

AWAS has placed significant new orders with Airbus and Boeing for more than 100 next generation aircraft, which will almost double the asset base of the business by 2015. This strong capital position also gives AWAS the means to offer its customers innovative fleet management solutions, such as sale and leaseback transactions or aircraft exchanges.

BUILDING THROUGH MERGERS AND ACQUISITIONS

As well as creating one of the world's leading aircraft lessors, the acquisition of Pegasus realised more than $15m of annual synergies, reduced the average age of the fleet and provided an attractive order book.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The business was re-positioned to reduce risk with the acquisition of newer aircraft and the introduction of credit concentration limits and cash maintenance reserves. AWAS's capital structure was actively managed through the introduction of debt financing for pre-delivery payments along with unsecured debt and bond issuances.

CURRENT FINANCIALS

AWAS closed the year meeting or exceeding all of its key financial objectives. The full year Operational PBT was on budget, and $19m ahead of 2010, at $180m. Revenues increased by $54m, reflecting the growth in the asset base, whilst operating costs were only $5m higher. Other costs, including depreciation, amortisation and interest increased by $31m due to the higher asset base.

Full year capital expenditure increased to $1,338m as the business acquired more new aircraft assets from Airbus and Boeing under its existing order pipeline and, having worked to strengthen its balance sheet in 2010, was able to acquire assets from other owners as part of its growth plan. The business is set to grow Operational PBT significantly in 2012, driven mainly by the delivery of pipeline aircraft and the full year impact of 2011 purchases.

DEVELOPMENT PLAN

While airline profits around the world peaked during 2010, the industry still fared reasonably well in 2011 despite the surge in fuel prices. However, the outlook for 2012 is less certain, with the AMR (American Airlines) bankruptcy and a 5% decline in worldwide air freight markets between May and October 2011 indicating potential risks.

In spite of this, IATA's 2012 forecast for the industry still assumes a profit for 2012 ($3.5 billion) as well as traffic growth. IATA also expects a marked divergence by region. European airlines are expected to be hardest hit by recession in their home markets, while in North America capacity cuts should provide some protection and in Asia the expanding Chinese domestic market in particular is driving high load factors. AWAS's portfolio composition, with its heavy weighting towards Asia and a strong presence in North America, means the company is more resilient in the face of these conditions.

In 2011, the business took delivery of 30 aircraft and has now placed all expected deliveries to the end of June 2013. This, together with transitions in the existing portfolio, has allowed AWAS to broaden its footprint to 98 lessees in 48 countries. The business is now starting to look at placing the remaining forward orders due for delivery from the third quarter of 2013, which include 52 Airbus A320s and 14 Boeing 737s.

AWAS

Simon Glass, Ray Sisson

Nils Steinmeyer, Ray Sisson

MANAGEMENT

Ray Sisson
Chief Executive Officer
Ray joined AWAS as CEO in August 2010. He brings with him extensive aviation industry experience gained at GE Capital Aviation Services where he was successively responsible for the Asia Pacific and EMEA regions, Titan Aviation where he was CEO, and SR Technics where his last position was Chief Commercial Officer.

Simon Glass
Chief Financial Officer
Simon joined the business as CFO in February 2011. Simon has over 25 years of international business experience in the banking and financial services industries. Prior to joining AWAS, Simon was most recently at the Royal Bank of Scotland Group plc where he held the position of Deputy Group Finance Director. Over the past 20 years, he has held a number of senior finance positions within the global banking industry.

Daniel Bunyan
Head of Portfolio Management
Daniel joined the business as Head of Portfolio Management in October 2010. He brings with him a wealth of experience in the sector, including as a Partner in the Aviation practice of Oliver Wyman/MMC with a particular focus on strategy development and financial analysis.

Angus Williamson
Head of Risk Management
Angus joined AWAS in 2007 as Head of Risk Management. Angus has over 20 years' experience in aviation, having worked for the International Bureau of Aviation and most recently as Head of Investment and Business Development at AerCap.

ROSLIN ORPHANAGE

Above: The Roslin orphanage children
Left: Mount Kinabalu fundraising team

At the Roslin Orphanage in West Timor, Indonesia, a husband and wife team from the airline industry are helping over 70 youngsters, giving them a better start in life and the chance of a brighter future. Budi and Peggy Soehardio set up the orphanage near Eltari Airport in Kupang City with the goal of providing knowledge and education that the children can take back to their communities when they get older. The couple help to fund the orphanage and also look to outside bodies – including AWAS – for the additional support they need to keep the doors open.

The majority of the children at Roslin are under 10 years old and most have been living at the orphanage since they were just a few days old. The youngest is six months old and the eldest, Gerson, is 21 years old. He is currently studying and doing well at the local medical school.

Inspired by the great work that is going on at Roslin, AWAS has organised a number of fundraising events to support Roslin in recent years. The most high profile, in every sense, was the trip by AWAS employees and industry peers to climb Kota Kinabalu, the highest mountain in South East Asia. Efforts to raise sponsorship have been taking place in both Singapore and Ireland and $10,000 has already been collected to support the orphanage's work.

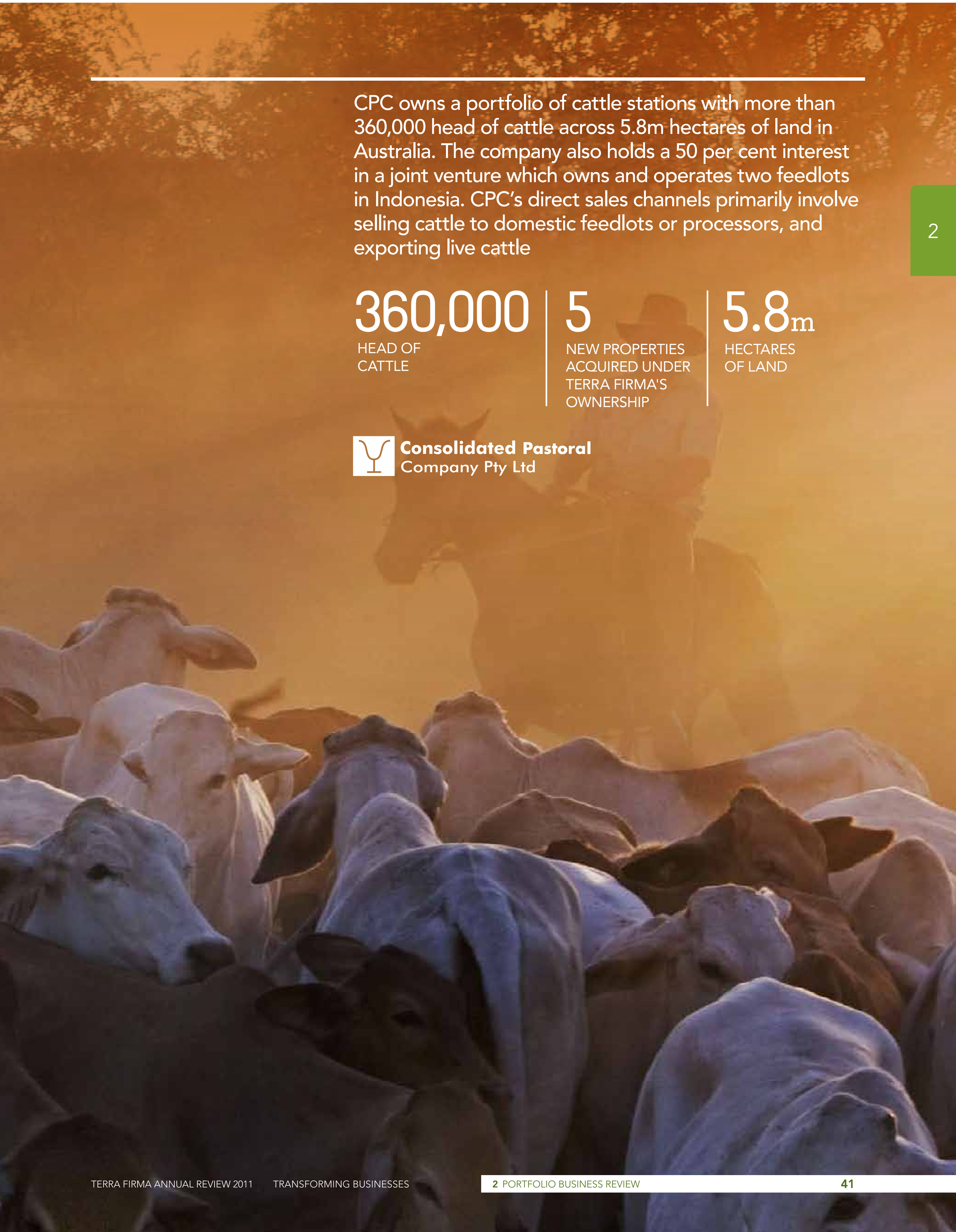
Carina Ryan, Director of Aircraft Trading at AWAS, was inspired to go on the expedition when she heard about the difference the orphanage is making.

"Having learned about the work that the Roslin Orphanage is doing in West Timor, I was delighted to get involved with this event," she says. "Climbing Mount Kinabalu was a challenging and rewarding experience that I will never forget. The funds raised will help the orphanage to care for and provide education for the children, building a foundation for not only their success today, but a sustainable future for their home villages as well."

AWAS has also recently made a contribution that has helped Roslin to buy a tractor that will make its self-sustaining farming activities much quicker and more efficient. The orphanage has been self-sufficient through farming its own rice since 2008, and exciting plans are afoot to cultivate a new banana crop. This new crop will provide valuable food for the orphanage while also teaching the children about farming. Plus there is the added bonus of being able to take a percentage of the crop to market in order to generate additional income.

The team at AWAS is hugely proud to be able to support the great work that Budi and Peggy are doing at the orphanage, and is already coming up with ideas for its next round of fundraising activity.

CPC IS THE SECOND LARGEST BEEF CATTLE PRODUCER IN AUSTRALIA



CPC owns a portfolio of cattle stations with more than 360,000 head of cattle across 5.8m hectares of land in Australia. The company also holds a 50 per cent interest in a joint venture which owns and operates two feedlots in Indonesia. CPC's direct sales channels primarily involve selling cattle to domestic feedlots or processors, and exporting live cattle

360,000 HEAD OF CATTLE

5 NEW PROPERTIES ACQUIRED UNDER TERRA FIRMA'S OWNERSHIP

5.8m HECTARES OF LAND

Consolidated Pastoral Company Pty Ltd

CPC

ANIMAL WELFARE IS A KEY CONSIDERATION IN CPC'S OPERATIONS

YEAR END: 31 DECEMBER	2010	2011
Revenue	A$41m	A$52m
Costs	(A$42m)	(A$37m)
Cash EBITDA	(A$1m)	A$15m
Purchase and non-cash livestock adjustment	A$18m	A$18m
EBITDA	**A$17m**	**A$33m**
External interest expense	(A$16m)	(A$17m)
Capital expenditure	A$5m	A$4m

CPC

INVESTMENT RATIONALE

At acquisition, CPC had nearly 280,000 head of cattle, making it the second largest Australian beef producer. Its vast land holdings allow for small amounts of higher-value alternative use.

Demand for protein is being driven by an increasing population and changing diets in developing economies. Australia is one of the few major disease-free beef exporters in the world, allowing it access to markets which are restricted to other international suppliers.

CPC had the characteristics of an under-managed and under-invested, family-run business. This presented an opportunity to acquire assets with attractive fundamental attributes and to assemble a robust management team to take advantage of the myriad of opportunities available to a well-capitalised, larger-scale business.

CREATING VALUE

TRANSFORMING STRATEGY

A more commercial mindset was introduced along with an analytical capability to identify investment opportunities to develop existing assets, explore new geographical markets and make add-on acquisitions.

New markets are being actively explored, such as a joint venture with a strong local partner to market premium beef in China. The benefits of keeping ownership of the product for a larger part of the supply chain are also being investigated.

STRENGTHENING MANAGEMENT

The existing team, which has detailed knowledge of the herd and the properties, has been supplemented by a number of new senior hires including a new CEO and a new CFO.

DEVELOPING THROUGH CAPITAL EXPENDITURE

The business has undertaken a significant capital investment programme to improve its cattle stations and increase their cattle-carrying capacity. Investment has been made to improve watering points, build yards and laneways, add fencing and bring more land into production.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The industry is fragmented, with many station owners lacking the resources to benefit from the changes in the sector – this provides an opportunity to grow the business through acquisitions.

CPC has acquired five additional properties since Terra Firma's original investment. These acquisitions provide additional breeding and grazing capacity to support an increase in the size of the herd. They also provide greater flexibility in the way in which cattle are bred, grown and marketed, and offer defensive possibilities in times of adverse climatic conditions or if end-market conditions change.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The business is being de-risked through the establishment of a forward-looking management team, the creation of integrated systems and processes, and a more diversified geographical exposure for both production and sales markets – with the latter being further supported through partnerships and further involvement along the supply chain.

CURRENT FINANCIALS

Revenue for the year was A$52m, with EBITDA of A$33m. The result for the year included a one-off release of stamp duty accruals of A$8m relating to the original acquisition of CPC by Terra Firma.

In total, 66,207 head of cattle were sold during the year, of which domestic sales totalled 38,080. Export volumes reflected the temporary suspension of live exports to Indonesia during the year, although stronger prices for domestic sales were offset by weaker live export prices.

Direct costs of sales were less than prior year due to the lower volume of export sales, and also a number of cattle having to travel shorter distances to market for sale. Offsetting this, indirect costs were higher, predominantly due to the need for internal transfers of Northern Territory cattle to Queensland properties for domestic sale (as a consequence of the Indonesian export ban).

Capital expenditure for the year was A$4m. Most of the major projects that had been planned for the year were satisfactorily completed with the remainder due to be completed in 2012.

CURRENT DEVELOPMENT PLAN

In June 2011, the Australian Government announced the temporary suspension of live cattle exports to Indonesia following a television documentary that exposed instances of cruelty to cattle in Indonesian abattoirs. CPC took part in the documentary and its practices and facilities were presented positively. Since the ban was lifted in July 2011, CPC has worked hard with both its industry partners and Australian and Indonesian government authorities to ensure the necessary procedures and protocols are put in place to enable compliance with the new standards established by the Australian Government. CPC has since exported more than 11,000 head of live cattle to Indonesia and a further 2,000 head to the Philippines. Animal welfare is a key consideration in CPC's operations.

Work continues to identify additional acquisitions with the aim of increasing the geographic diversity and flexibility of the land portfolio, thereby widening market access and developing opportunities for higher value use. CPC will continue to invest in capital improvements to increase the efficiency and cattle-carrying capacity of its properties.

CPC

Sami Kassam, John Stevenson, Ken Warriner

Tim Money, Mike Kinski, Ken Warriner

MANAGEMENT

Ken Warriner
Chairman
Ken was CEO and Chairman of CPC from 1983 to 2011, becoming Non-Executive Chairman in 2011. Previously, 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.

Mark Irwin
Chief Executive Officer
Mark Irwin joined CPC in August 2011 and has responsibility for all of CPC's day-to-day operations. He has significant international operational and M&A experience, having held a number of executive positions in the agricultural and mining sectors. He was Chief Executive Officer and Managing Director of GrainCorp Ltd from 2008 to 2010, having previously spent 11 years with BHP Billiton.

John Stevenson
Chief Financial Officer
John is an Australian Chartered Accountant with over 25 years' working experience in Australia and Asia. Prior to joining CPC in June 2010, John was a Finance and Managing Director for Jardine Matheson Ltd in Indonesia for 10 years and has extensive experience as a Financial Manager throughout the South-East Asia region. In Australia, John practised as a Chartered Accountant with Coopers & Lybrand and Deloitte, and his pastoral experience includes working as the Financial Controller for Heytesbury Beef in the mid-1990s.

Geoff Warriner
Chief Operations Officer
Geoff joined CPC on a full-time basis in 1985. Two years later, he was given the responsibility of managing the initial conception of the Newcastle Waters Brahman stud. In the early 1990s, Geoff managed breeding properties in the Northern Territory and backgrounding properties in Queensland. In 2000, Geoff became Pastoral Inspector of CPC's Northern Territory and Western Australia holdings and in 2008, was appointed to the role of Chief Operations Officer.

SAFEGUARDING THE FUTURE OF AN ENDANGERED SPECIES

The Gouldian finch - an endangered breed that CPC is helping to protect

Dingo Springs on CPC's Newry Station has long been a valuable watering hole for the cattle raised on this sprawling Northern Territory property. As expert conservationists will tell you, it is also important to another much smaller and more endangered visitor – the Gouldian finch.

This species of finch – Latin name *Erythrura gouldiae* – is a small, brightly coloured seed-eating bird that can only be found on the northern savannas of Australia. In fact, its numbers have undergone such a drastic decline in the last hundred years or so that there are now only a few areas in the Northern Territory and Western Australia where they can regularly be sighted.

The birds are now protected by legislation and there is even a 2006 National Recovery Plan for the Gouldian finch. One of the plan's keys aims is to improve the management of grazing and fire at key off-reserve sites within the Gouldian finch range, and it is here that CPC has been able to lend a hand.

Dingo Springs is a rich source of the grass seeds that these birds rely on, making it a site of major importance to ensuring the survival of this spectacular species. The key threats to the birds are the grazing animals, both domestic and feral, that compete for the grass seed, and the uncontrolled fires that can destroy these resources over large areas.

To tackle these threats and preserve this valuable habitat for the finches, CPC committed to investing in conservation work at Dingo Springs. It was also successful in having those funds matched by a grant from the Northern Territory Natural Resource Management Board.

The work has seen staff constructing fencing around the springs, managing the weed population and putting better fire management in place. The company has also found alternative water-points so that cattle no longer have to use the springs.

Monitoring sites have also been set up to assess the recovery of vegetation around the springs and government scientists will make regular visits to carry out surveys and check on progress.

This work doubles the area managed specifically for Gouldian finches by CPC to almost 550 hectares. It is hoped that these efforts will help to reverse the decline in numbers and that this rare and spectacular bird can thrive and go on to be enjoyed by future generations.

DEUTSCHE ANNINGTON IS THE NO. 1 RESIDENTIAL LANDLORD IN GERMANY

Deutsche Annington was created in 2001 when Terra Firma acquired 64,000 residential properties from the German Federal Railways. The company owns, maintains and rents the properties and sells individual units to tenants and third parties. Through add-on acquisitions, the company has almost tripled in size

190,000
RESIDENTIAL UNITS OWNED ACROSS GERMANY

1,300
MORE THAN 1,300 EMPLOYEES

630
LOCATIONS

DEUTSCHE ANNINGTON

DEUTSCHE ANNINGTON

€100M INVESTED IN INCREASING CUSTOMER SATISFACTION AND ENHANCING OPERATIONAL EFFICIENCIES

YEAR END: 31 DECEMBER	2010	2011
Rental business gross rents	€784m	€780m
Rental business costs	(€314m)	(€296m)
Sales business revenue	€225m	€253m
Sales business costs	(€185m)	(€219m)
Other	(€8m)	(€8m)
Operational EBITDA[1]	**€502m**	**€510m**
Bank interest	(€274m)	(€286m)
Overall vacancy rate	5.10%	4.30%
Privatisation units sold	2,164	2,503

[1] Operational EBITDA excludes exceptional costs

DEUTSCHE ANNINGTON

INVESTMENT RATIONALE

German residential real estate is an intrinsically low-risk asset class. The original transaction was made up of approximately 64,000 residential properties geographically spread across Germany. The portfolio generated a steady and reliable rental stream.

The ten companies originally acquired provided rented housing mainly for German railway workers, with the possibility of selling some of those properties to tenants and third parties. The housing had been owned and managed separately by the ten companies on a not-for-profit basis. As a result, there was enormous scope for integration and efficiency savings and the professionalisation of an under-managed sector. It also provided the opportunity for people to buy their own homes through socially-responsible privatisation.

CREATING VALUE

TRANSFORMING STRATEGY

Deutsche Annington was created to support the ten separate portfolios of assets and it now has an industry-leading property management platform. Deutsche Annington offers its customers a competitive range of properties with excellent service and strives to further improve service quality, customer focus and efficiency.

The owner occupancy rate in Germany was one of the lowest in Europe and Terra Firma believed that there was significant latent demand for home ownership. Deutsche Annington offers a tenant privatisation programme, giving tenants and third parties the opportunity to buy their own homes at affordable prices. Since 2002, more than 48,000 units have been sold. Further portfolio acquisitions have enabled Deutsche Annington to replenish its portfolio and build a rental asset base that provides stable, recurring cash flows.

STRENGTHENING MANAGEMENT

A senior management team was installed shortly after acquisition that was made up of experienced local hires and was able to draw on Terra Firma resources and advice from Annington Homes.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Deutsche Annington has invested heavily in enhancing the attractiveness of its properties to tenants. In the five years to 2011, it spent more than €780m on maintenance and property improvements. It also undertook a comprehensive strategic initiative to increase customer satisfaction across its operations and enhance operational efficiencies. After investing more than €100m, the project has set new standards in the German housing industry.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Through add-on acquisitions, Deutsche Annington has almost tripled its asset-base and is now the largest privately-owned residential landlord in Germany, with nearly 210,000 owned and managed units nationwide. The acquisition of Viterra in 2005 added nearly 138,000 properties under ownership or management, bringing with it significant efficiency savings through synergies. The added geographic diversity that this brought helped to further de-risk an already low-risk portfolio.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

In August 2006, Deutsche Annington successfully completed a refinancing involving the securitisation of over 180,000 residential housing units in the largest-ever European Multifamily Commercial Mortgage-Backed Securitisation at an attractive interest rate.

CURRENT FINANCIALS

2011 was a successful year for Deutsche Annington. Its robust and efficient operational platform generated EBITDA from continued operations of €510m, a record for Deutsche Annington. In addition, several initiatives were launched to drive further operational efficiencies and to capture new sources of revenue in markets adjacent to the housing business.

Compared with the prior year, EBITDA increased by 2%, with significant improvements in the Rental business more than offsetting a lower contribution from the Sales business as well as compensating for the lost earnings from the disposals in the privatisation programme.

As a result of the continued strong lettings performance across the portfolio, the total vacancy rate dropped by 0.5% in Q4 to finish at 4.3% at the end of the year. Having being awarded the 'Geislinger Konvention' certificate in Q2, Deutsche Annington's pass-through-utility costs process has now been ISO 9001 accredited. Deutsche Annington is one of the first real estate companies to have achieved this. This initiative is part of the business's continued efforts to enhance the customer experience and generate efficiencies.

DEVELOPMENT PLAN

To enhance its customer service, Deutsche Annington has taken a more structured approach to dealing with customer complaints, introducing an IT-based 'Early Warning System'. So far it has reduced the number of customer-related complaints by more than 85% in total, and now all new incoming queries are dealt with within 10 days.

Deutsche Annington has also moved ahead with plans to in-source its facility management services, which includes the doubling of staff numbers by 2013. This underlines the business's reputation as a responsible operator and long-term investor.

The business continues to have access to significant committed capital funding, and Terra Firma believes the business is in a strong position to selectively acquire further residential property portfolios as opportunities arise. The business expects several substantial portfolios to come to market in the short to medium term.

DEUTSCHE ANNINGTON

Wolfgang König, Robbie Barr, Dr. Stefan Kirsten

Nils Steinmeyer, Wijnand Donkers, Guy Hands, Michael Eidenschink, Robbie Barr

MANAGEMENT

Wijnand Donkers
Chairman of the Management Board
Wijnand was appointed Chairman of the Deutsche Annington Management Board in 2007. Before joining Deutsche Annington, 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 supervisory board in Germany from 2001 to 2005 and Vice President Strategy and Performance for the BP Group. Wijnand is Vice Chairman of GdW, the association of residential housing companies in Germany.

Dr. Stefan Kirsten
Member of the Management Board
Stefan joined the Deutsche Annington Management Board as CFO in January 2011. In his last role, he was CEO at Majid Al Futtaim Group LLC, a real estate business in the Emirates. Prior to that, Stefan held senior leadership roles in German industry, including CFO of both Thyssen Krupp AG and Metro AG.

Klaus Freiberg
Member of the Management Board
Klaus has been a member of the Deutsche Annington Management Board since February 2010 and is responsible for Property Management. He joined from Arvato Group (Bertelsman) where he was CEO. In his various roles with Arvato, which he joined in 1995, Klaus supervised and optimised the service centres of Deutsche Post and Deutsche Telekom.

BREAKING DOWN LANGUAGE BARRIERS

Deutsche Annington, in conjunction with the German Foreigner Association, is providing free German language lessons to support community integration

With nearly 210,000 owned and managed apartments across over 600 locations, Deutsche Annington understands the importance of people being able to feel part of a community and integrating with their neighbours. Sharing a common language is key to that sense of belonging, and this has prompted the company to team up with the German Foreigner Association (AgD) to offer free German language courses.

The initiative started with the opening of a language training centre in Dortmund, a town where approximately 30% of residents are non-native German speakers. It was a first for the town and has become a blueprint for similar centres at other Deutsche Annington locations.

The courses are open to anyone who would like to learn German – not just Deutsche Annington tenants – and are designed to develop the kind of language skills that people need in everyday situations. For example, learning how to fill out forms at a bank, apply for a job, understand railway station announcements and help children with their homework.

At a broader level, it is also about the integrating of communities that have lived alongside each other without being able to communicate easily, often for years.

"As a result [of the course], a Polish woman now looks after the children of a Turkish neighbour," said Martina Plum, press spokesperson for AgD. "And at the end of the course… Turks and Russians celebrated Christmas together."

The 80-hour courses are delivered by AgD's experienced teachers and are tailored to suit anyone from beginner to advanced level. Rather than teaching German as it is done at school, the course focuses on practical teaching that is accessible to everyone from young people to grandparents. And most of the lessons are held in the morning to make life easier for mothers wanting to attend class while their children are in school.

The response has been excellent. Twice as many people as expected signed up for the initial course in Dortmund and an extra course was scheduled to cope with demand. Building on this popularity, Deutsche Annington is now rolling out the language centres to other locations across Germany including Bergkamen, Marl, Gelsenkirchen, Duisburg and Gladbeck.

EVERPOWER IS AN OWNER-OPERATOR OF WIND GENERATION ASSETS IN THE US

EverPower has assets in the North East and West Coast US power markets. It has two operating wind farms with 114 MW of operating capacity, 249 MW of capacity under construction and a substantial portfolio of attractive development opportunities

114MW
OPERATING CAPACITY

249MW
OPERATING CAPACITY UNDER CONSTRUCTION

2,600MW
PIPELINE OF DEVELOPMENT OPPORTUNITIES

everpower

EVERPOWER

EVERPOWER IS EXPANDING ITS OPERATIONS TO CREATE A WIND ENERGY BUSINESS OF SUBSTANTIAL SCALE

YEAR END: 31 DECEMBER	2010	2011
Revenue	$11m	$12m
Costs	($21m)	($23m)
EBITDA	**($10m)**	**($11m)**
External interest expense	($7m)	($5m)
Capital expenditure	$22m	$170m

2011 numbers are subject to final audit approval

EVERPOWER

INVESTMENT RATIONALE

Power generation is a core industry and, within this, the US renewables sector is still growing, driven by the desire for energy security and supported by environmental policy. Wind turbines are an infrastructure-type asset class, with established channels of project financing and the possibility of long-term power contracts.

The financial crisis was a difficult period for the wind power sector, leaving many companies over-leveraged, under-capitalised and over-committed. This gave an opportunity to enter the market at a low point in the cycle, bringing a disciplined approach to organic growth and exploiting the distressed market for further acquisitions.

CREATING VALUE

TRANSFORMING STRATEGY

Since acquisition, EverPower has been transformed from a development-only player to an owner-operator of wind generation assets with the ambition of growing the business to be a scale player.

EverPower seeks to secure proven reliable turbine assets on favourable commercial terms, and build a commercial capability to ensure its generation output is sold with the optimal mix of contracted and merchant contracts. By the end of 2012, the business is expected to have grown its operating portfolio almost eight-fold since acquisition.

STRENGTHENING MANAGEMENT

EverPower had a high quality development team. The core management team led by Founder and CEO Jim Spencer has been supplemented by selective hires to strengthen and deepen the team, including a new Chairman and Non-Executive Directors, a new CFO and a new Commercial Director.

The organisational capabilities have been built for growth while appropriate incentive structures, aligning management, have been introduced. A commercial function has been established to manage the power contracts, and the financial systems and controls have been improved.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Since acquisition, around $353m has been invested to capitalise the business, while approximately $200m of further capital has been committed to finance future growth. The capital is being spent on the build-out of EverPower's organic portfolio at attractive capital expenditure levels for selected acquisitions. By the end of 2012, EverPower will have built and put in operation five best-in-class wind farms, with a total production capacity of 363 MW of power.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The business is focused on actively growing through further acquisitions. It is pursuing potential acquisition targets and is looking to expand into other renewable energy sectors. At the end of 2011, the acquisition of Patton, a fully approved and permitted site that is ready for development, was completed. The company also signed an agreement in March 2012 to acquire a 150 MW wind farm in California that is expected to go into commercial operation in mid-2012.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

EverPower now has access to equity and the ability to leverage its sponsor's refinancing expertise and its experience in financing new projects. The company is building on its existing relationships with the banking community and negotiating competitive project financing deals.

CURRENT FINANCIALS

EverPower is still at an early stage in its development. As a result, the business is loss-making at its current scale, but as new sites become operational during the course of 2012 the business will become EBITDA positive. During 2011, the Krayn wind farm achieved its revenue and profit targets, with good fourth quarter production offsetting summer shortfalls. Overall, revenue was at $12m and EBITDA at $(11m).

To date, the low power price environment has not impacted revenues as Krayn is fully contracted in terms of power. In December 2011, EverPower exercised its 2012 power price hedges on Howard and Highland North with both wind farms selling production on a merchant basis. These hedges cover most of 2012 production, therefore offering a degree of protection against lower power prices.

DEVELOPMENT PLAN

EverPower is expanding its operations to create a wind energy business of substantial scale. Development at Highland North was somewhat delayed due to turbine supply and component transportation issues, but the project successfully entered commercial operation in March 2012.

In December, EverPower placed its 139 MW site at Twin Ridges, Pennsylvania, into construction with access roads now being built. The 30 MW Patton development site at Cambria, Pennsylvania was also acquired and placed into construction. These projects met the 31 December 2011 deadline for the 30% federal cash grant, while both Highland North, Twin Ridges and Patton have been awarded Pennsylvania state grants.

EVERPOWER

MANAGEMENT

Jim Spencer
Chief Executive Officer
Jim founded EverPower in 2002. Prior to that, he served as an adviser to Renewable Energy Systems Ltd and was instrumental in establishing its 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. Jim has over 20 years' experience in the power industry managing the development and financing of energy projects.

Charles H. Williams
Chief Financial Officer
Charlie joined EverPower in 2009 and is responsible for the company's financial activities. He was previously CFO and Executive Director of Clipper Windpower Plc, a utility scale wind turbine manufacturer and project developer, and CFO of Sithe Asia Holdings, a Hong Kong-based independent power producer.

Charles Williams, Jim Spencer, Andrew Chadd

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 EverPower, he was Vice President of Sithe Energies Inc. Andrew's expertise spans a variety of technologies in the US and internationally, and includes wind, solar, coal, combustion turbines and hydro plants.

Christopher Shears
Senior Vice President, Development
Chris joined EverPower in 2008. He has over 15 years of experience in the wind and renewable energy fields, including GB Business Development Manager for Renewable Energy Systems Ltd where he was responsible for wind strategy and building the company's UK project portfolio.

George Henderson
Chief Commercial Officer
George joined EverPower in 2010 and is responsible for all activities in the energy and renewable credit markets, including energy operations, portfolio hedging and commercial risk management. Prior to EverPower, he held senior roles in energy trading and marketing for PSEG Energy Resources & Trade LLC and Lehman Brothers Commodity Services. George has also been an international crude oil and petroleum product trader for various public and private companies.

Carol Strickland
Corporate Secretary & Chief Administrative Officer
Carol joined EverPower in 2008 and is responsible for corporate governance-related matters and administration. Prior to joining EverPower, she was the Corporate Secretary and Chief of Staff at US Trust Corporation.

A WIN-WIN PROGRAMME FOR STUDENTS AND STAFF

Participants in the EverPower internship programme at work

In recent years, EverPower has made some big changes to its internship programme in Pittsburgh. In contrast to the more usual short-term work experience placements, it now brings 'co-op' students into frontline roles in the business throughout the academic year.

The result is a win-win situation for everyone involved. In the words of EverPower employee and programme liaison Charles Vogel, who mentors programme participants alongside his day job of specialising in transmission lines and load impacts to the grid, "We're giving back to the community, students acquire valuable experience and our employees work with students whose enthusiasm, perspective, and efforts are invaluable."

EverPower has long-established ties with several universities in the Pittsburgh region, with interns coming to the company from Duquesne, Point Park and Carnegie Mellon. The co-op arrangement, with its higher degree of collaboration, came about when EverPower formed an alliance with the University of Pittsburgh's Swanson School of Engineering.

Under the programme, there is at least one student at the company each semester. The students start as sophomores or juniors and spend several years at the company, working with senior employees, earning a stipend and receiving school credit. Since the programme started, co-op students have worked across EverPower functions and gained a wide variety of experience.

Rivka Rosenthal is in her second rotation in the Wind Resource Group, testing software that stores and filters wind data in order to generate reports. "I've developed practical skills," she says, "and and learned how to communicate clearly by writing technical specifications and providing detailed explanations of our work." The rotation has even prompted her to switch her studies at Pitt from Civil to Mechanical Engineering.

Krystina Teoh, a Mechanical Engineering graduate of Carnegie Mellon University, is currently a full-time intern in the Commercial Group where she is developing tools for energy market price and load data.

Eric Brichler has been with EverPower since the start of the co-op programme. He is a fourth-year student at Pitt with a double major in Civil Engineering and History and plans to work in the wind or renewable energy sector. After a rotation in the Wind Resource Group, he spent a summer at the Highland site. "I was exposed to actual construction," he says. "We built foundations and roads, and worked with local government and residents. It's been a great experience."

The popularity of the programme means that the ties between EverPower and Pittsburgh universities – and the benefits for everyone involved – look set to keep growing for years to come.

INFINIS IS NOW THE UK'S LARGEST INDEPENDENT RENEWABLE ENERGY GENERATOR WITH BIOGAS, WIND AND HYDRO PORTFOLIOS

Infinis has an installed renewable energy generating capacity of 556 MW, consisting of 343 MW of biogas generation, 196 MW of wind generation and 17 MW of hydro generation together with growing onshore wind and hydro development pipelines

Infinis was formed in a spin-out of the biogas division of Terra Firma's waste disposal business, WRG, in 2006

infinis

119 MW	556 MW	10 %
GENERATING CAPACITY ADDED IN 2011	INSTALLED CAPACITY	OF THE UK'S RENEWABLE POWER

INFINIS

IN 2011, THE ACQUISITION OF THREE OPERATIONAL ONSHORE WIND FARMS AND THE COMPLETION OF ITS FIRST MAJOR WIND CONSTRUCTION SITE ADDED 119 MW OF GENERATING CAPACITY

YEAR END: 31 MARCH	YTD DEC 10	YTD DEC 11
Revenue	£138m	£164m
Costs	(£63m)	(£72m)
EBITDA	**£75m**	**£92m**
Bank interest	(£25m)	(£30m)
Capital expenditure	£35m	£36m
Generation (GWh)	1,769	1,956

INFINIS

INVESTMENT RATIONALE

In 2003, when Terra Firma acquired the Waste Recycling Group (WRG), it was one of the leading waste management companies and the leading waste disposal operator in the UK, handling approximately 15 million tonnes of waste per annum. In 2004, the assets of Shanks, the third largest landfill operator in the UK, were acquired by Terra Firma and merged with WRG as part of its consolidation strategy.

The fledgling biogas division of WRG was identified as a profitable growth business underpinned by the growing focus on alternative energy sources and the government financial incentives put in place to encourage investment. The business had been under-managed, with its generating capacity under-developed and some capacity outsourced to third parties.

CREATING VALUE

TRANSFORMING STRATEGY

In 2006, the biogas division was demerged from WRG to create a standalone business, Infinis, which retained the rights to the biogas produced from WRG's landfill sites and used it as fuel to produce renewable energy for the UK electricity grid. The site operations were overhauled with the establishment of leading-edge in-house engineering capability.

Through acquisitions and organic development, the business has grown and added onshore wind and hydro generation to its portfolio, and it continues to expand through the development of these technologies.

Infinis started out as a very small non-core, neglected and largely outsourced unit within a waste company. Today, the business is completely transformed into a standalone enterprise that ranks as the UK's leading independent renewable energy generation company.

STRENGTHENING MANAGEMENT

Terra Firma set up a standalone governance structure and installed a new management team, appointing a new CEO, CFO, Operations Director, Commercial Director and Head of Wind Development.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Infinis has invested heavily in the roll-out of its gas collection systems and engines, taking the biogas generating capacity from 57 MW to 343 MW. The business has actively managed a pipeline of onshore wind development projects and currently has 55 MW of consented onshore wind assets with planning consents awaiting construction, with more in the near-term pipeline.

Infinis has established one of the industry's most advanced control centres, a facility which monitors the environmental and operational performance of its generating capacity across the UK on a 24/7 basis.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Infinis's acquisition of Novera in 2009 added 142 MW of capacity. It has since completed a number of significant acquisitions to enhance its onshore wind portfolio.

The business has become the largest independent renewable generator in the UK, with 556 MW of installed capacity – enough to provide power to over one million users – and a strong onshore wind development pipeline for future growth. It has a portfolio diversified across biogas, onshore wind and hydro power.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The diversification of its power portfolio and the geographic spread of its assets within the UK has reduced the business's operational risk. In December 2009, Infinis completed a refinancing, providing the business with £275m five-year funding.

CURRENT FINANCIALS

Infinis performed strongly in the period to December, its third quarter, with revenue of £164m and EBITDA of £92m. This strong result was helped by a favourable outcome on the annual Renewables Obligation Certificate pricing in October 2011. Biogas shortfalls across the summer were partially recovered in the third quarter as the mineral caps recovered due to wetter winter conditions. Higher wind speeds were experienced, particularly in December when generation was 5.5 GWh above budget despite the delay in connecting Glenkerie, Infinis's first major wind construction site, to the grid.

Capital expenditure was below budget year-to-date, largely due to timing delays in wind development spend. This variance is expected to partially reverse over the remainder of the financial year.

DEVELOPMENT PLAN

Infinis's strategy is to further strengthen its leading position in the UK renewable energy generation industry through investment in additional capacity on existing sites and further acquisitions. It has reached its initial target of 500 MW of installed capacity and will continue to expand both its onshore wind and hydro capacity.

During December, exceptionally high wind conditions damaged a number of wind turbines across Scotland, including one at the Ardrossan site which was severely damaged by fire. Infinis is working closely with the turbine manufacturer to establish the cause of the fire and to ensure mitigating actions are taken if necessary.

INFINIS

MANAGEMENT

Eric Machiels
Chief Executive Officer
Eric was appointed permanent CEO in October 2010, having been the acting CEO and a member of the Infinis Board since August 2009. Eric joined Terra Firma as a Business Director in 2007 and was seconded to Infinis as Development Director in 2008. Prior to that, he held executive positions within two portfolio companies of Clayton, Dubilier & Rice, a US private equity firm, and most recently was 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 2006. Stewart has over 14 years of senior management experience in power generation including managing a fleet of 50 MW 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.

Paul Gregson, Steven Hardman, Eric Machiels, Michael Eidenschink, Stewart Gibbins, Gordon Boyd accept the award for topping the Sunday Times 2012 buyout growth league

Gordon Boyd
Chief Financial Officer
Gordon joined Infinis Energy Holdings Ltd and its subsidiaries as CFO in March 2012. Gordon has held a number of senior positions in the UK electricity sector, most recently as Finance Director of EDF Energy's upstream and downstream businesses in the UK. As Finance Director of Drax Group plc, Gordon led the company's successful restructuring and listing on the London Stock Exchange in 2005.

Steven Hardman
Commercial Director
Steven joined Infinis in 2008 to lead its commercial and legal activities. In early 2009, Steven also assumed responsibility for the onshore wind development and construction business and all other major projects, including mergers and acquisitions. Steven was previously Group Legal Director for WRG where he was responsible for 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.

Paul Gregson
Human Resources Director
Paul was appointed Human Resources Director of the Infinis operating subsidiaries in October 2010, having held the position of Head of Human Resources for Infinis since 2006. Paul qualified as a member of the Chartered Institute of Personnel & Development in 1988 whilst employed at the Central Electricity Generating Board. Following a period in a senior HR role within General Electric – GE Capital (UK), Paul joined Saint-Gobain Building Distribution in 2000, where he was Head of Human Resources for the Jewson group until joining Infinis.

SETTING NEW BENCHMARKS IN SUSTAINABILITY

The Glenkerie wind farm, awarded a CEEQUAL Whole Project Award

In an industry first, Infinis has demonstrated that sustainability can be a goal at every stage of a renewable energy project, not just in relation to the power output at the end.

The company has just been awarded a CEEQUAL Whole Project Award for its work on the recently completed 22 MW Glenkerie wind farm in Scotland. This award is the first time a renewable construction scheme has been recognised on a Whole Project basis.

Highly regarded in the industry, CEEQUAL is the Civil Engineering Environmental Quality Assessment and Award scheme. It recognises those companies that, like Infinis, go the extra mile to design and construct sustainable projects.

Extreme terrain, sensitive ecology and the local community – these were all factors that would shape the Glenkerie project in terms of design and sustainability. To make sure each aspect was considered appropriately, Infinis embarked on a comprehensive analysis and stakeholder engagement process.

The first step was to carry out a detailed Environmental Impact Assessment (EIA). This enabled the company to identify the possible impacts of the project on the environment, people and wildlife. Then it could consider how those impacts might be mitigated.

As part of the EIA, Infinis consulted with local communities to learn about their concerns surrounding the project's impact. In response to their feedback, the company made a number of changes, including a reduction in the size of the turbine blades to limit their visual impact. This consultation marked the beginning of a long-term association between Infinis and the local community.

As Roger Venables, Chief Executive of CEEQUAL, observed, "Infinis is also supporting the community by establishing the Glenkerie Wind Farm Trust which will allocate funds to benefit local projects."

The company's focus on minimising environmental impact extended from the turbines themselves to wider issues. For example, Infinis constructed its drainage systems and bridges using methods that wouldn't damage the habitat of protected salmon, lampreys and otters residing in local watercourses.

It also commissioned specific studies to develop new methods of protecting the local ecosystem during construction. The company limited construction to certain times of the year and even put a plastic fox next to the wind farm's road as a deterrent to wildlife. Both had been identified as effective ways of safeguarding the population of local birds and reptiles.

Eric Machiels, Chief Executive of Infinis, is proud of the focus on sustainability that characterises this and all of the company's projects.

"This CEEQUAL Award for our Glenkerie wind farm project is a landmark achievement for Infinis," he says. "It is the result of the dedication of our employees and contractors. Together, they ensured that the construction of this wind farm achieved the exceptional environmental and social standards that Infinis strives to achieve in all its development and operational activities."

ODEON & UCI IS THE NO. 1 PAN-EUROPEAN CINEMA OPERATOR

Odeon & UCI is the market-leading cinema operator in the UK and Ireland, Italy and Spain, with operations also in Portugal, Germany and Austria. The business has 2,153 screens in 231 locations which are a combination of freehold, long leasehold and short leasehold sites. It trades under the Odeon brand in the UK, the Cinesa brand in Spain and the UCI brand elsewhere

ODEON FANATICAL ABOUT FILM

UCI CINEMAS

79m
CINEMA-GOERS IN 2011

700
SCREENS ADDED SINCE AQUISITION

100%
OF SCREENS IN THE UK HAVE BEEN CONVERTED TO DIGITAL

ODEON & UCI

ODEON & UCI IS THE LARGEST 3D AND IMAX OPERATOR IN EUROPE

YEAR END: 31 DECEMBER	2010	2011
Revenue	£650m	£725m
Costs	(£558m)	(£622m)
EBITDA	**£92m**	**£103m**
Bank and bond interest	(£18m)	(£34m)
Capital expenditure[1]	£33m	£51m
Attendance	73m	79m

[1] net cash spend

ODEON & UCI

INVESTMENT RATIONALE
Odeon & UCI operates in the leisure industry, providing an affordable entertainment service to its customers. At acquisition, Odeon & UCI owned a number of their prime cinema sites across the UK and in Europe.

The business was acquired simultaneously as two separate companies in late 2004. Odeon had a disparate shareholder base that meant it had historically suffered from a lack of clear strategic direction. UCI, meanwhile, was considered non-core by its previous owners and had gone through a period of under-investment.

CREATING VALUE
TRANSFORMING STRATEGY
The two separate businesses were merged following competition clearance in the UK, generating significant synergies and other cost improvements and creating a platform to accelerate consolidation within the broader European cinema market.

The strategy for the combined business was to improve revenue based on enhancing the customer experience, investing in future digital technology, renegotiating screen advertising contracts and driving synergies to exploit economies of scale from a growing platform.

STRENGTHENING MANAGEMENT
Until UK competition clearance was received, the two businesses were run by interim CEOs seconded from Terra Firma. Thereafter, new senior management, including the CEO and CFO, were brought in to manage the combined business, oversee implementation of the new strategy and introduce clear operational and investment discipline.

DEVELOPING THROUGH CAPITAL EXPENDITURE
Significant investment has been made to enhance the customer experience. Premium seating has been rolled out across all territories. The food and beverage range has been broadened, Costa Coffee franchises and coffee lounges have been introduced in the UK, Pane e Sapori sandwich bars have been opened in Italy and the company is now the biggest franchisee of Ben and Jerry's in the world.

Almost 90% of screens are now digital, rising to 100% by mid-2012, giving the company the most digital auditoria in Europe. This improves the customer experience, reduces distributor costs and should boost advertising revenue. It also enables the projection of 3D – Odeon & UCI is the largest 3D and IMAX operator in Europe.

As well as acquiring existing chains, the business has invested in expanding and enhancing its portfolio with the addition of 21 cinemas across Europe and 23 major refurbishments. It has also opened its first upmarket cinema in London, with an in-screen dining experience, under the brand 'The Lounge'.

BUILDING THROUGH MERGERS AND ACQUISITIONS
Odeon & UCI has taken advantage of industry consolidation within the European cinema market through acquisitions of cinema chains in Spain, Italy, Portugal, Germany, the UK and Ireland, adding over 60 sites and over 700 screens to the company's portfolio and transforming it into Europe's largest cinema operator. The business continues to monitor further acquisition opportunities, particularly in Continental Europe.

In May 2011, the company issued bonds to replace its opco bank finance, enabling it to finance a number of acquisitions and further its growth plans.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE
In May 2007, after two years of improved performance, the business was refinanced and restructured by separating the value of the UK properties from the operational business of screening films. This opco/propco refinancing lowered the cost of capital for the business and enabled Terra Firma to return funds to its investors.

CURRENT FINANCIALS
EBITDA for the year was £103m, £11m (12%) ahead of prior year. The increase over prior year was largely due to the contribution from acquisitions made in 2010 and 2011, though the existing business also saw revenue and EBITDA increase. Revenues were £75m ahead of 2010, with attendance 6m higher, and whilst direct and indirect costs also increased, EBITDA margins were slightly improved.

Key films during 2011 included The King's Speech, the final instalment of Harry Potter and The Inbetweeners, and 2012 has the potential to be strong as well, with James Bond, Batman and Spider-Man releases all scheduled.

External interest expense of £34m reflected the bond refinancing which resulted in more debt, used in part to fund recent acquisition activity and a higher coupon.

ODEON & UCI

DEVELOPMENT PLAN

Odeon & UCI's integration plan for its five recent acquisitions in the UK, Italy, Spain and Ireland is on track. This includes the rapid roll-out of 3D digital screens, retail refurbishments, ticket price initiatives, IT integration and new signage. Overall to date, these add-ons have performed in line with the acquisition plans.

A number of new initiatives have recently been launched in London; the fully refurbished Swiss Cottage cinema has continued to trade well and Odeon's first new luxury offering branded 'The Lounge' has recently opened at the refurbished Whiteley's cinema in West London.

Odeon & UCI continues to drive forward the conversion to digital projection technology with nearly 90% of all screens converted as at December 2011. The UK has now been fully converted and completion across the whole group is expected by mid-2012.

Tim Money, Rupert Gavin

MANAGEMENT

Rupert Gavin
Chief Executive Officer
Rupert was appointed as CEO 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 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, worked 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 over 20 years. He held a number of positions at Famous Players prior to 2002 including Senior Executive Vice President and General Manager.

José Batlle
Chief Operating Officer, Continental Europe
José 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 Spain, Italy, Germany and Austria.

NURTURING THE STARS OF THE FUTURE

The Odeon Academy will create much needed job opportunities for young people

The Odeon Academy is a brand new initiative that's giving young people the chance to learn new skills and kick-start their careers. Open to 16- to 19-year-olds who are not in work or in training, the Academy was set up to be the training ground for Odeon's leaders of the future.

It is a natural next step for the company. Odeon is proud of its track record of providing quality training and development for its employees, whether new joiners or more experienced team members. It's a business that is committed to giving its 5,800 employees every opportunity to develop and progress, irrespective of their age, gender and ethnicity.

Building on that commitment, Odeon has teamed up with Lifetime (a national training and development company) to launch the Odeon Academy and create opportunities at a time when there are few jobs around for young people. It's a good partnership because Lifetime shares Odeon's focus on quality training, and on delivering it everywhere from the classroom and on-the-job training through to e-learning.

The Academy's first intake of trainees is made up of 15 young people who had demonstrated their enthusiasm for working with the public and delivering a great guest experience.

They started in early 2012 with induction training at Odeon's flagship location and the scene of all the company's big film premieres – Leicester Square. They are now spending 12 months at a local Odeon cinema where they work as part of the team and put in an average of 16 hours per week.

By the end of the programme, each trainee will have experienced all aspects of a Team Member's role, from dealing with guests and working the tills through to things like handling emergencies and making sure the cinema is clean and safe for employees and guests alike.

As part of the programme, the trainees will also complete the Odeon Apprenticeship in Guest Service. This will see them working towards an NVQ and a technical certificate and developing their maths and English abilities. So as well as developing valuable skills and knowledge, they will also leave with some all-important letters after their names.

At the end of the course, the trainees will attend a graduation ceremony in London, and it is hoped that this will be just the start of their careers with Odeon. The ultimate goal is for all the graduates to go on to permanent roles at the company and that 2012 will be the first year of many for the Odeon Academy. There are plans to roll out the Academy across the UK, creating opportunities for hundreds of young people over the coming years.

PHOENIX DISTRIBUTES AND SUPPLIES NATURAL GAS TO GREATER BELFAST

Phoenix distributes gas to more than 150,000 properties, supplies gas to around 136,000 customers in the Greater Belfast area, and owns and operates over 3,100 km of distribution pipeline

55km
GAS MAINS LAID IN 2011

50,000
SERVICE ENGINEERING VISITS IN 2011

9,719
NEW CONNECTIONS IN 2011

PHOENIX ENERGY HOLDINGS

PHOENIX GROUP

PHOENIX IS COMMITTED TO ACHIEVING MARKET PENETRATION OF MORE THAN 60% BY 2016 THROUGH INVESTING IN INFRASTRUCTURE AND NEW CONNECTIONS

YEAR END: 31 DECEMBER	2010	2011
Gross turnover	£111m	£128m
Gas purchases	(£64m)	(£79m)
Gross gas margin	£47m	£49m
Costs including depreciation	(£26m)	(£26m)
EBITA	**£21m**	**£23m**
External interest expense	(£18m)	(£17m)
Capital expenditure	£13m	£13m
Number of customers connected	139,000	148,000

2011 results are subject to final audit approval

PHOENIX GROUP

INVESTMENT RATIONALE

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

Although there were significant growth prospects for the business, the instability of the regulatory framework, combined with the relative immaturity of the network, demanded an owner with a strong vision.

CREATING VALUE

TRANSFORMING STRATEGY

In 2006, Terra Firma and Phoenix worked together with the regulatory authorities to agree a mutually satisfactory regulatory framework with transparent and stable gas prices. As many people in NI had no experience of using gas, the stabilised pricing allowed them to feel more comfortable about switching to gas.

Phoenix has attracted new customers and expanded its network by offering its customers efficient energy production and more appealing appliances. The business has achieved a significant increase in natural gas penetration across Greater Belfast and is committed to converting 60% of the properties along its distribution network into connected customers by 2016.

DEVELOPING THROUGH CAPITAL EXPENDITURE

The expansion of the network and an increase in customer connections were driven by accelerating the capital investment programme and setting appropriate returns targets.

Terra Firma has supported a continual programme of capital expenditure which has enabled Phoenix to convert 45% of the potential market in Belfast to natural gas. Investment continues with the aim to make gas available to an additional 33,000 properties by 2016.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Establishing a more stable regulatory environment following the 2006 agreement served to lower Phoenix's cost of capital and enabled investment decisions to be taken with greater confidence.

In January 2008, Phoenix separated its distribution business from its transmission assets. This facilitated the sale of the transmission division of Phoenix, with the resulting proceeds being used to pay down debt. In November 2009, Phoenix completed a refinancing which provided the business with eight-year bond financing.

COMPANY STRUCTURE

To comply with regulatory requirements, the business is split into several independent divisions:

PHOENIX NATURAL GAS LTD (PNG)

PNG is the owner and operator of the licence for the distribution network in the Greater Belfast area and Larne. It is responsible for the development of the pipeline network and for providing a 24/7 operational and transportation service platform to gas suppliers under the rules of the Companies Network Code. The PNG network currently extends to more than 3,100 km and distributes natural gas throughout the licence area, representing around 50% of the population of NI.

PHOENIX SUPPLY LTD (PSL)

PSL is the market leader in gas supply in NI. It is responsible for the provision of natural gas to customers from PNG's distribution network and supplies 123,000 residential and 10,000 industrial and commercial customers with gas. In addition, it trades gas on the wholesale market.

PHOENIX ENERGY SERVICES LTD (PES)

PES is the leading provider of natural gas boiler and appliance servicing, emergency response, gas metering and meter reading services in NI. The company undertakes more than 50,000 service engineering and 276,000 meter reading visits annually.

PHOENIX ENERGY LTD (PEL)

PEL was established in 2008 to supply natural gas in the Republic of Ireland and expand the service offering of PSL across the whole of Ireland. PEL was awarded a licence to supply natural gas in December 2008 and commenced trading to its first customer in November 2009.

CURRENT FINANCIALS

Phoenix has continued to perform well, with 2011 results ahead of the prior year. Gross turnover was £128m and EBITA was £23m. For new connections, which are the main growth driver, the business continue to outperform its connections target with a total of 9,719 in 2011. This was driven by homeowners switching to gas due to the high oil price, and the exceptionally cold weather at the end of 2010 that caused existing heating systems to break down and be replaced. Phoenix has also benefited from the increased awareness of natural gas created from advertising by new entrants in the supply market.

PSL had a very strong end of year as the price increase of 39% in May subsequently over-recovered against softening gas costs. With a regulated margin, the supply business will pass back £5m to consumers with a price reduction now anticipated in April. Excluding the pass-back of gas costs to consumers, Phoenix's profitability in 2012 is expected to be in line with 2011.

PHOENIX GROUP

In August 2011, PNG received a determination from the Northern Ireland Authority for Utility Regulation (NIAUR) in respect to its periodic price control for the two-year period beginning on 1 January 2012. Whilst this determination assessed allowable operating and capital costs broadly in line with PNG's expectations, NIAUR unexpectedly included measures to modify PNG's licence to retrospectively remove value from the company's regulated asset base, previously agreed with the company as part of negotiations to move to a 40-year licence in 2007. As a result, the Board has rejected the determination and proposed licence modifications and subsequently NIAUR has referred the matter to the Competition Commission for adjudication. This process is expected to be concluded by the end of September 2012.

DEVELOPMENT PLAN

The distribution business, PNG, is well-placed to serve Belfast's long-term growth prospects and address the still comparatively low numbers of customers connected to gas across the distribution network (50%) compared with the UK mainland (90%). PNG is committed to achieving market penetration of more than 60% by 2016 by investing in infrastructure and new connections.

PSL aims to provide a stable environment for the future growth of the distribution business by servicing PNG customers. Despite anticipating volume losses over the next few years as a result of the domestic customer gas supply market being opened to competition in 2010, PSL expects to remain subject to tariff price caps and reviews for the foreseeable future. Currently, PSL has a tariff customer share of 92%.

PEL continues to capitalise on the expertise of PSL and offset volumes lost through increased competition in NI. It currently has 20 industrial and commercial customers.

Nils Steinmeyer, Peter Dixon, Michael McKinstry, Lorenzo Levi

MANAGEMENT

Sir Gerry Loughran KCB
Group Non-Executive Chairman
Sir Gerry's role as the Non-Executive Chairman of the Phoenix 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 Phoenix board as CEO in 2000 and joined the East Surrey Holdings board in 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 stand-alone businesses, before joining Phoenix as Commercial Director in 1997.

Michael McKinstry
Group Finance Director
Michael joined Phoenix in 1996 as Finance Director and has been with the company throughout its development, being appointed to the Group board in 2006. He is responsible for all financial matters together with a range of support service functions including business planning, human resources, systems and contracts and procurement. Michael's extensive management experience prior to joining Phoenix included roles in heavy engineering with GEC, the textiles industry with Ulster Weavers and the energy industry with Premier Power after its purchase by British Gas.

LIGHTS, CAMERA, EDUCATION

The Phoenix and Cinemagic partnership has helped connect with young people and promote the energy industry

Phoenix's track record in corporate social responsibility was cemented last year when the company was awarded a Business In The Community 'Big Tick' award for CSR excellence for the seventh year running – more times than any other organisation in Northern Ireland.

Along the way, the company has helped many communities across Northern Ireland, doing a great deal to support young people in particular by helping them realise their goals.

One of the stand-out partnerships of the last year has been with Cinemagic, an award-winning organisation that uses film to entertain, educate and inspire young people. Cinemagic caters for people aged 4-25, from individuals who simply enjoy watching films through to those who dream of one day working in the industry.

Phoenix is now supporting a number of Cinemagic projects in the Greater Belfast area. One recent initiative – called Reel Issues for Youth – has seen guest speakers travelling to local schools to discuss the power of film and give the children the chance to find out more about it as art, as entertainment and as a business.

This ongoing collaboration led to government body, Arts & Business, offering funding in 2011 for a bespoke film project that would focus on what Phoenix does to promote Science, Technology, Engineering and Maths (STEM). These are the subjects that the UK Government has highlighted as being key to the nation's future economic success.

The Phoenix/Cinemagic STEM film was created by a talented group of young people and is made up of interviews with members of Phoenix staff as well as footage taken at gas installations and at engineering site works. The edited footage has already received a lot of attention from a number of stakeholders and it was shown at the Northern Ireland Executive's 'STEM – One Year On' event, which was attended by several local government ministers.

The film project sits neatly alongside Phoenix's other initiatives to connect with young people and promote the opportunities that the energy industry has to offer. For example, the company was also a key contributor in the setting up of Northern Ireland's first ever gas sector skills qualification at Belfast Metropolitan College, and has long-standing ties with many schools as well as with Queen's University and the University of Ulster. The net result of all these efforts is that Phoenix is showing real leadership in reaching out to young people in order to help them prosper both now and in the future.

RTR IS ITALY'S LEADING SOLAR ENERGY BUSINESS

Rete Rinnovabile (RTR) is the market-leading solar photovoltaic (PV) power generation business in Italy, with a generating capacity of 241 MW

85
PLANTS

300 GWh
OF ELECTRICITY PRODUCED EVERY YEAR

241 MW
INSTALLED CAPACITY

RTR
RETE RINNOVABILE

RTR

SINCE ACQUISITION, RTR'S INSTALLED CAPACITY HAS BEEN INCREASED FROM 144 MW TO 241 MW THROUGH TWO ADD-ON ACQUISITIONS

YEAR END: 31 DECEMBER	2011
Revenue	€85m
Costs	(€10m)
EBITDA	**€75m**
External interest expense	(€23m)
Capital expenditure	€105m

2011 results are subject to final audit approval

RTR

INVESTMENT RATIONALE

RTR has a portfolio of 85 high quality, newly-constructed plants in several locations across Italy. Over two thirds of RTR's revenue is fixed under a 20-year 'feed in' tariff set by the Italian Government.

With connections to the Italian medium – and high-voltage electricity grid, RTR produces more than 300 GWh of electricity per year, enough for more than 300,000 people. Government policy for renewable energy underpins future growth in the sector.

In a young and fragmented industry, RTR offers the opportunity to build a market-leading business through consolidation and professional management.

CREATING VALUE

TRANSFORMING STRATEGY

RTR is being developed into one of Europe's leading renewable energy businesses through a 'buy and build' strategy. Terra Firma's previous experience, through its Infinis and EverPower investments, has enabled the establishment of best-in-class processes and systems to professionalise operations.

STRENGTHENING MANAGEMENT

This was an asset-only acquisition. Terra Firma put in place staff, systems and corporate headquarters in Rome and recruited a top management team to work with Terra Firma to scale the business quickly and effectively.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Performance measurement systems have been installed, enabling remote control monitoring. In addition, RTR is exploring the scale efficiencies offered by potentially in-sourcing plant operation and maintenance.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Since acquisition, RTR's installed capacity has been increased from 144 MW to 241 MW through two add-on acquisitions. Further growth is offered through an attractive acquisition pipeline. RTR is now more than three times larger than the second largest Italian solar operator.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

RTR is being de-risked through growing the scale of its business. In addition, RTR has secured long-term (18-year) debt financing at fixed attractive rates.

Operating risk was reduced through an 18-year contract with Terna, the Italian high-voltage energy grid operator, for the maintenance of the majority of the existing PV installations, including guarantees on equipment and production capacity.

CURRENT FINANCIALS

Reported revenue in the financial year was €85m and EBITDA was €75m. The business's performance since acquisition at the end of March 2011 continues to be ahead of initial expectations, due to good operational performance and favourable weather conditions. As at the end of December, payments of €105m have been made in respect of capital expenditure. This largely relates to amounts that were owed to construction contractors at the time of initial acquisition.

CURRENT DEVELOPMENT PLAN

Terra Firma has put in place a strong management team for RTR, headed by the CEO, Paolo Lugiato, and aided by the CFO, Luigi Samuele. Along with Patrick Monino, the COO recruited from Terna, they have combined experience of 15 years in Italian renewable energy production. The new management team has implemented key business processes, including financial reporting and budgeting.

For all sites, RTR has entered into long-term service agreements with third parties (including Terna) for the provision of operational and maintenance support (including plant performance measurement and physical security). The service agreement with Terna also gives RTR the benefit of Terna's established IT infrastructure and security systems.

In the period since the initial acquisition, work has commenced on the development and enlargement of RTR's business. The first of two acquisitions involved the purchase of 19 MW of solar PV assets from Sorgenia, an Italian utility. In the third quarter, RTR also announced the acquisition of a further ten solar PV sites with a generating capacity of 78 MW from Terna. This second-tranche Terna transaction completed in October 2011 and represented a significant add-on to RTR, increasing its installed capacity to 241 MW.

RTR continues to evaluate other add-on opportunities, and is participating in ongoing discussions with panel manufacturers and engineering, procurement and construction providers for the build-out of any new sites.

RTR

Paolo Lugiato, Andrew Chadd

Lorenzo Levi, Michael Eidenschink, Andrew Chadd, Paolo Lugiato

MANAGEMENT

Paolo Lugiato
Chief Executive Officer
Paolo was appointed CEO in May 2011. Prior to joining, Paolo was CEO of Novapower (Merloni Group), an Italian greenfield investor in renewable energies. Paolo's previous roles include Head of Business Development at Merloni and Consultant in the Milan and Rome offices of McKinsey & Co., serving clients in the telecom, consumer goods and industrial and financial sectors.

Luigi Samuele
Chief Financial Officer
Luigi assumed his current position as CFO in February 2011. Luigi previously served as CFO and member of the Board of Directors of SunRay, a renewable energy company which is active in the development of renewable energy sources and applications. Prior to this, he was Southern Europe CFO of Galileo and held a number of senior positions at Wyeth-Lederle Group including the role of CFO of OTC division in Italy.

Patrick Monino
Chief Operating Officer
Patrick joined RTR as COO in July 2011. He was previously Business Development Manager at Terna from 2005, where he was initially in charge of international development activities. From 2008, Patrick was in charge of the development of the PV portfolio that was eventually bought by Terra Firma. Before that, he spent six years at Value Partners Consulting.

THE BEST RENEWABLE ENERGY UNDER THE SUN?

One of RTR's 85 PV plant sites helping to generate renewable energy for the Italian consumer

For many years sunlight has been harnessed as an abundant and free source of energy – PV cells are one of the latest and most advanced methods being used to convert that light into power.

RTR is a market-leader in Italy for this form of electricity generation and has ambitions to be Italy's leading renewable energy business. The country has embraced PV in recent years and it can now meet up to 6% of its energy demands this way during Italy's sunny summers. RTR now has plants in 85 locations across the country, and is known for setting the standards in an industry that is a watchword of technical innovation.

Used everywhere from power stations and transportation to farm machinery, PV energy is environmentally clean, quiet and safe. Installation costs have dropped considerably in recent years and huge investment into new methods and materials means that it is becoming more efficient all the time. And the lack of moving parts makes it a low-maintenance form of renewable energy – in fact, it is often said that the most time-consuming tasks at a PV plant are washing the cells and cutting the grass.

For all of these reasons, PV has emerged as one of the fastest developing forms of renewable energy and has given RTR an enviable foundation for growing its renewable energy capabilities.

HOW PV WORKS

The first thing you need, of course, is sunshine. The cells still generate energy on cloudy days, but they produce around 70% more power on sunny days and are considerably more efficient in the summer compared to the winter. The PV panels absorb the sunlight and turn it into electricity which then has to be converted before it is compatible with the national supply. That conversion process involves inverters and transformers. Once that process is complete, the electricity can be stored in a battery or fed directly into the grid and used in the normal way.

RTR'S WIDER IMPACT

RTR is committed to having a positive impact outside its work generating green energy; it also wants to contribute to environmental projects and support the communities where it operates. To do that, the company has started a charity committee that works with local groups and allocates funds to a range of carefully chosen charities. Initiatives that the committee has set up include a voluntary service day provided by all RTR employees, and field trips for school children. These events are an opportunity for local people of all ages to meet RTR employees and go on guided tours of the plants. Run by RTR's engineers, these visits are a great opportunity for everyone to learn more about PV and everything this new and exciting technology can deliver.

TANK & RAST IS THE LEADING MOTORWAY SERVICE STATION BUSINESS IN GERMANY

Tank & Rast operates 90% of the concessions on Germany's motorway network, including around 380 restaurants, 350 petrol stations and 50 hotels. The company's key revenue streams are lease income from tenants and fuel supply commissions from the oil companies

TANK & RAST

500m
VISITORS EVERY YEAR

2
SELF-SUPPLY SITES WERE OPENED IN 2011

22
THIRD PARTY SITES HAVE IMPLEMENTED THE COMPANY'S 'SANIFAIR' CONCEPT

TANK & RAST

TANK & RAST CONDUCTED ITS FUEL TENDER PROCESS DURING 2011 WHICH ATTRACTED A LARGE NUMBER OF PARTICIPANTS

YEAR END: 31 DECEMBER	2010	2011
Revenue	€279m	€295m
Costs	(€84m)	(€87m)
Bank interest	(€152m)	(€154m)
Earnings before depreciation and tax	**€43m**	**€54m**
Capital expenditure	€37m	€37m

TANK & RAST

INVESTMENT RATIONALE

Tank & Rast has a leading position on Europe's busiest motorway network, the German Autobahn, with its concessions serving around 500 million visitors every year. The highly cash-generative and stable-tenanted operating model is supported by long-term government concessions and a significant fixed revenue component, with revenues diversified across retail, restaurants, toilet facilities and fuel sales.

Traveller penetration, conversion rates and expenditure per km travelled were significantly below other European countries, offering room for Tank & Rast to better utilise the strength of its position on the Autobahn. Terra Firma saw that performance could be enhanced by allowing the most effective tenants to operate more sites.

In addition to the government, Tank & Rast's main business partners are the oil companies – which supply branding and fuel, but do not operate the fuel stations – and the tenants, which 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.

VALUE CREATION

TRANSFORMING STRATEGY

Since acquisition, Tank & Rast has improved the visibility of its service stations and brands on the Autobahn, gaining agreement from the federal and regional governments to signpost up to four brands on the motorway, something which previously had been banned.

The company has also improved its food offerings, including a better retail proposition. It introduced the premium Sanifair toilet facilities across its network with great success and they are now being rolled out to third parties in Germany and Europe. Tank & Rast also created a new motorway service station brand called Serways which incorporated the new retail and food offerings and improved the quality of its service and facilities.

Tank & Rast improved its performance through a value-driven commercial approach to capital expenditure. The proportion of sites operated by better performing tenants was increased and supported by further investment from Tank & Rast to help them improve their business performance.

STRENGTHENING MANAGEMENT

Tank & Rast's finance team was significantly strengthened to support the strong CEO, Dr Karl-H. Rolfes, who had joined the business a few years before it was acquired by Terra Firma.

DEVELOPING THROUGH CAPITAL EXPENDITURE

In 2005, Tank & Rast launched a long-term €500m investment programme to finance the construction of new sites, the refurbishment of older sites and the introduction of capital expenditure-driven strategic and consumer-focused initiatives. Tank & Rast carefully managed relations with the government to develop the business, enabling it to introduce Autobahn signage and implement Sanifair to the benefit of its customers.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Tank & Rast continues to grow by taking over attractive sites and/or management contracts on and off the Autobahn as they become available.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

As a result of the business's strong performance in a challenging economic environment, it was successfully refinanced twice in the infrastructure markets. In 2006, Terra Firma refinanced the business with a hybrid infrastructure loan delivering a significantly reduced margin, with another refinancing occurring in 2007.

CURRENT FINANCIALS

2011 was another strong year for Tank & Rast as it reported revenue of €295m despite high fuel prices, and thus lower volumes, throughout the year.

Management's continued focus on controlling costs contributed to the increase in earnings before depreciation and tax to €54m, ahead of prior year.

Capital expenditure for the year amounted to €37m, consistent with last year as management continued to adopt a very cautious approach to capital expenditure.

Tank & Rast continues to perform well, despite the tough economic environment; this reflects the resilience of the Tank & Rast business model and further benefits from Tank & Rast's ongoing strategic developments.

CURRENT DEVELOPMENT PLAN

The existing fuel supply regime expires at the end of 2012. Following the announcement by the Federal Cartel Office that it was satisfied with Tank & Rast's proposed new fuel supply model, the company has made very significant progress on implementation, which involves the partial continuation of the existing quota arrangements but on better terms, the introduction of a fuel tender process for a significant part of the Autobahn network and a small element of self-supply.

TANK & RAST

New contracts for the fuel quota have been signed and, as a result, Tank & Rast received incremental fuel commission from 2011 with further increases agreed after the expiry of the existing contracts at the end of 2012. Tank & Rast also conducted a fuel tender process during 2011 which attracted a large number of participants and ended with a very positive result. Two self-supply sites were opened in 2011 following approval from the financial regulators. The full benefits from the fuel project will be felt in the 2013 financial year.

Progress in extending Sanifair into third-party sites has continued to gain momentum. Sanifair units are in operation at 11 shopping centres, three railway stations and eight other sites, with a strong pipeline of future additional opportunities inside and outside Germany.

The roll-out of the new electronic point of sale system continues and 40 sites have been equipped. This new system is designed to improve tenants' working capital management and logistics processes, and early results are encouraging. Now that the future fuel supply contracts have been signed, arrangements can be agreed with the oil companies and the roll-out plan can be fixed.

The roll-out of electronic digital screens across the network was completed during the year and is now generating some valuable additional advertising revenue. Furthermore, Tank & Rast has started the installation of outdoor advertising after gaining approval from several federal states.

The company is overhauling its gastronomy offering with a focus on fresher meals and salads and a wider bakery range.

Tank & Rast also started a project for green mobility together with RWE in 2011. Eight sites along the motorways between Cologne and Hamburg have been equipped with ultra-fast charging stations for battery-powered e-cars.

Dr Karl-H. Rolfes

MANAGEMENT

Dr. Karl-H. Rolfes
Group Chief Executive Officer
Karl was appointed CEO 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.

Dr. Jens Kimmig
Chief Financial Officer
Jens joined Tank & Rast in 2010 as CFO. His previous role was CFO of Plastal Group. Jens' prior roles include various leading functions in the fields of controlling, finance and accounting within GEA Group AG, including CFO of the Strategic Business Field Plastics at Dynamit Nobel Kunststoff GmbH and CFO of the Strategic Business Unit Thermosets at Menzolit-Fibron GmbH.

Peter Markus Löw
Managing Director
Governmental and Legal Affairs / 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.

DRIVING MORE SUPPORT TO A WORTHY CAUSE

Tank & Rast's support of Help, a leading humanitarian aid organisation, provides relief for refugees across the world

Every year, millions of people pass through Tank & Rast's service stations across the German motorway network. This huge audience is an advertiser's dream, with space at the company's sites in high demand among leading businesses. Since 2006, though, Tank & Rast has been using its high profile locations to support a good cause. It has been donating a proportion of its advertising space to a leading humanitarian aid organisation called Help.

Help provides emergency relief and supports development projects worldwide. It was set up in 1981 to help the millions of refugees fleeing to Pakistan to escape the war in neighbouring Afghanistan.

Today, its aims are broader. As well as providing disaster and emergency relief, long-term development aid and reconstruction support, Help is also dedicated to raising awareness of global warming. All humanitarian aid is delivered to people regardless of heritage, religion or worldview.

The plight of refugees is still at the heart of Help's work, and the organisation strongly believes in giving individuals the resources they need to help themselves. It knows that the best way to do this is to work with local organisations that understand their community's living conditions, culture and needs better than any outside expert ever could. This collaborative approach has helped to facilitate everything from education and employment through to nutrition, health, water treatment and renewable energy generation.

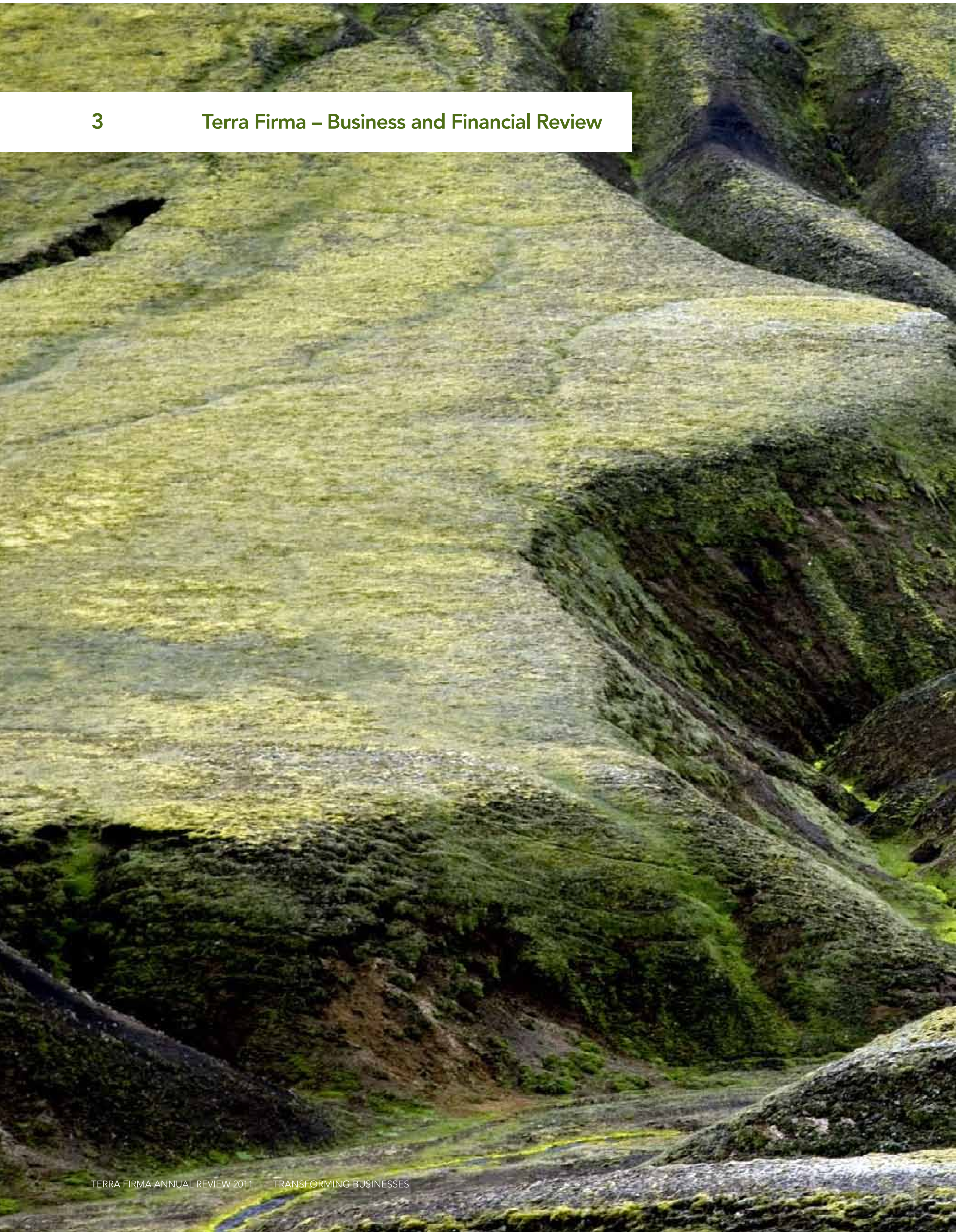
In 2011 alone, Help carried out 48 projects in 13 countries, all paid for with a mix of donations, grants and sponsorship from governments, businesses and the general public. In the last six years, Tank & Rast has worked closely with Help to raise the profile of its work. The ties between the two organisations are strong. Both are headquartered in Bonn and Tank & Rast's CEO, Dr. Karl-H. Rolfes, is a member of Help's board of trustees.

The company's support has given Help a valuable platform that helps them to reach millions of potential supporters, running its campaigns from entrance spaces and digital display screens as well as on posters in toilet cubicles. In November and December 2011, for example, Help's latest advertisement appeared in more than 300 service areas. Overall, the spot ran more than 15 million times for a total of almost 126,500 hours.

This is one of many campaigns that Tank & Rast has supported with free advertising space, delivering two-pronged benefits for Help in the process. As well as reaching more people and generating extra donations, Help is also able to reduce the money it spends on media space and divert these funds to the good work it is doing around the world.

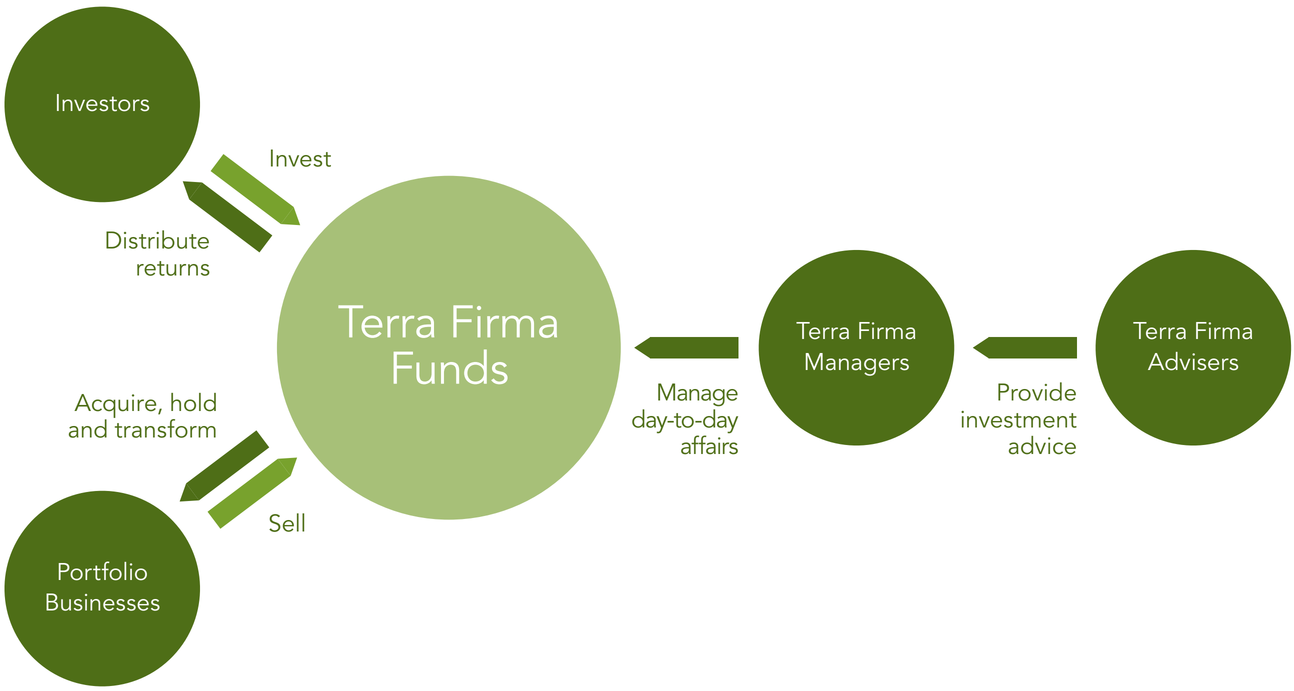
And free advertising space is just one part of Tank & Rast's commitment to helping the charity. It has also made significant direct donations to Help – for example, supporting its humanitarian efforts following the Haiti earthquake – and proved that it can offer valuable support in more ways than one.

3 Terra Firma – Business and Financial Review



INTRODUCTION

THE TERRA FIRMA ADVISERS PROVIDE INVESTMENT ADVICE TO THE GUERNSEY-BASED FUND MANAGERS



The Terra Firma advisers provide investment advice to the Guernsey-based Terra Firma 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. It also includes its China representative office in Beijing, which was opened in 2011.

The Beijing office was established to support local business development opportunities for the firm's portfolio businesses. The team will explore investment and merger and acquisition opportunities, as well as opportunities to partner with Chinese companies and represents Terra Firma's long term commitment to the region.

Since 1994, Terra Firma has advised on investments amounting to over €14 billion of equity with an aggregate enterprise value of over €44 billion.

STRATEGY

WE HAVE A CONSISTENT AND DISTINCTIVE INVESTMENT STRATEGY OF BUYING ASSET-RICH BUSINESSES IN ESSENTIAL INDUSTRIES THAT CAN BE TRANSFORMED THROUGH FUNDAMENTAL CHANGE

BUSINESS OBJECTIVE

Since 1994, Terra Firma has had a consistent and distinctive investment strategy of buying asset-rich businesses in essential industries that are in need of fundamental change and transforming them into sustainable and best-in-class businesses.

Terra Firma raises long-term capital from investors such as public and private pension funds, government investment funds, insurance companies, endowments and charitable foundations. This capital is channelled through Terra Firma's funds and used to acquire businesses which are then held by the funds. The funds are managed by the Terra Firma managers with investment advice provided by the Terra Firma advisers.

Terra Firma's objective is to maximise investor returns by unlocking the underlying potential in the businesses it acquires. These transformed companies are later sold, usually after a number of years, to realise a return for the investors in Terra Firma's funds.

INVESTMENT APPROACH

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.

Lorcan Woods, Radu Gruescu, Niels Berl

STRATEGY

INVESTMENT STRATEGY

Our investment process starts with our view of what is happening at the macro and global level. We identify how these trends could create opportunities. We then look for businesses that we believe are well-positioned to seize them. This approach – from 'macro-to-micro' – is the foundation of Terra Firma's investment strategy. Our investments in beef production in Australia in 2009 (CPC) and solar energy in Italy in 2011 (RTR) demonstrate how this approach has led us to invest in new markets.

Having identified sector opportunities, we look for businesses with three key characteristics to enable us to capitalise on this potential:

ASSET-BACKED

We look for businesses which are rich in assets. This helps protect the value of our investments and provides a stable platform for growth. Assets also offer a wide variety of options to create value for our businesses.

We have real expertise in investing in asset-rich businesses. In the early 1990s, we pioneered the practice of asset-by-asset due diligence within the rail and pub sectors. By breaking down aggregate cash flows, we identified the true potential economic value of each underlying asset. We continue to use this approach today.

ESSENTIAL INDUSTRIES

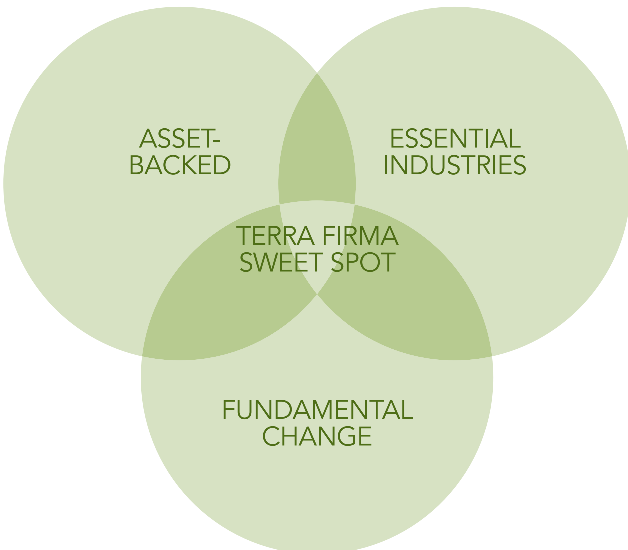
We only invest in what we call 'essential' industries. They include energy and utilities, infrastructure, affordable housing, leisure, agriculture and asset leasing. These industries are more resilient in downturns and do not depend strongly on technological innovation or branding. They are often in regulated sectors where we have considerable experience.

We do not have sector specialisms. We prefer to be flexible and move between a limited number of sectors, guided by our view of their relative prospects.

REQUIRING FUNDAMENTAL CHANGE

We identify businesses that require fundamental change, perhaps because of past under-management or under-investment or because they can be repositioned to benefit from a trend that we have identified.

We have a strong track record of transforming businesses by developing new strategies, investing significant amounts of capital and dramatically improving operational performance.



STRATEGY

We create value in our portfolio businesses in five ways

CREATING VALUE
We will only make an investment when we are clear how we will create value. This view is based on our own detailed analysis and research and is often different from the views of the business's existing management team and those of other bidders.

1

TRANSFORMING STRATEGY
Identifying a transformational strategy is central to creating value in a business. A new strategy will frequently be designed to make the most of long-term macro trends identified at an earlier stage in the investment process. This may involve implementing a new business model, repositioning a business within its industry, growing it by acquisition or diversifying its markets. The intensive overhaul of our businesses' strategies and operations has repeatedly put them at the forefront of developments in their industries. We continue to refine and improve the strategies of our companies throughout our ownership.

2

STRENGTHENING MANAGEMENT
Our aim is to build exceptional management teams in our portfolio businesses. We put in place the necessary capability and incentives to ensure that our strategy and performance improvements are implemented effectively.

We typically strengthen management by combining the existing team with our own experts and with new hires, often from outside the sector to bring a fresh perspective.

3

DEVELOPING THROUGH CAPITAL EXPENDITURE
We are ready to invest significantly in our businesses to transform them, and we implement new capital programmes to improve performance and grow our businesses organically. We also develop scalable platforms for expansion, enabling a business to grow more rapidly through acquisitions. All capital expenditure is controlled by Terra Firma using strict return criteria, ensuring that only the highest impact programmes are implemented.

4

BUILDING THROUGH MERGERS AND ACQUISITIONS
We undertake mergers and acquisitions to strengthen our portfolio businesses, aiming to grow the scale and capability of a business and consolidate and improve its position within its industry. Since 1994, Terra Firma has invested in 30 businesses and executed over 35 additional bolt-on acquisitions to build them.

5

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE
We lower the cost of capital within our portfolio businesses by reducing business risks. We do this by diversifying and stabilising cash flows and resolving business and regulatory uncertainties. We also actively manage the businesses' capital structures through refinancings and securitisations.

STRATEGY

TRANSFORMING OUR BUSINESSES
MULTI-DISCIPLINARY TEAMS

Our multi-disciplinary capability allows us to manage an investment from the initial identification of an opportunity through the purchase and transformation of a business to its eventual sale.

- **Our transaction skills** enable us to identify possible strategies, acquisitions, refinancings and exit opportunities. Each deal opportunity is championed and driven forwards by a Financial Managing Director with each transaction team having sector specialisations which reflect the investment experience and knowledge of its members. Our transaction professionals are drawn from a wide variety of backgrounds including investment banking, consultancy, accountancy, law and direct from university.

- **Our operational skills** enable us to lead improvement programmes and provide strong support for the management of our businesses. 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 and have 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 legal, tax and structuring skills** enable us to pursue complex transactions assessing and managing regulatory, contractual, tax and legal risks. Our in-house legal, tax and structuring specialists have all had careers at leading law firms or accountancy practices before joining Terra Firma where they gained substantial experience of transaction work; acquisitions, disposals and complex financings.


Tim Pryce, Guy Hands

All team members, whatever their 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 ideas for improvements and changes that can be made in the businesses we acquire.

STRATEGY

Operational expertise is fundamental to enhancing the long-term value in our businesses

OPERATIONAL EXPERTISE COMBINED WITH ACTIVE MANAGEMENT

Operational expertise is fundamental to enhancing the long-term value of our businesses and we involve ourselves directly in the businesses that we acquire. 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 the 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.

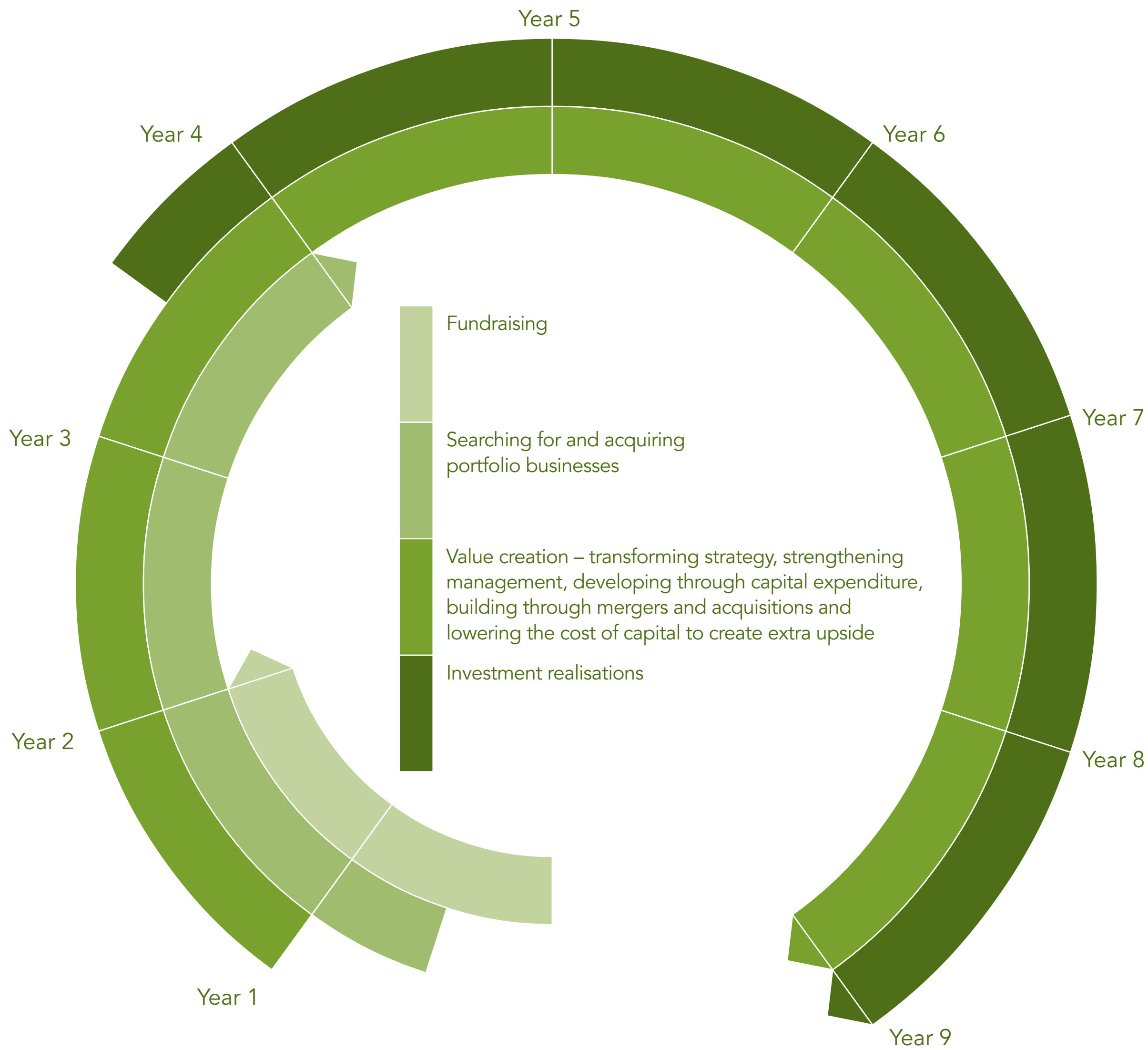
The period immediately after the completion of an acquisition is particularly important to the success of that investment. This is when it is vital to make sure momentum is created and that management and staff are motivated and incentivised to work with Terra Firma to maximise the value of the business. 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.

Ongoing oversight is provided by Terra Firma's portfolio business team which ensures regular 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 receives strategic input from Terra Firma when required.

Although the level of direct involvement in a portfolio business is likely to decrease during Terra Firma's ownership, Terra Firma remains integrally involved in the strategic decisions its companies 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 from Terra Firma's funds through its corporate governance structure.

STRATEGY

Life cycle of a Terra Firma fund



BUSINESS DESCRIPTION & ENVIRONMENT

WE HAVE EXTENSIVE EXPERIENCE OF DEALING WITH GOVERNMENTS, QUASI-GOVERNMENTAL ORGANISATIONS AND REGULATED BUSINESSES

OUR MARKETS

Since inception, we have focused on investing in Western Europe; 25 of the 30 investments Terra Firma has made have been head-quartered in Europe. Investing in Europe and driving change in portfolio businesses requires the ability to work within the European regulatory and cultural environment. At Terra Firma, we have extensive experience of dealing with governments, quasi-governmental organisations and regulated businesses.

Whilst we are particularly interested in pursuing European-based opportunities, we continue to evaluate investment opportunities around the globe. We have reviewed and made investments outside Europe when appropriate opportunities have arisen such as the acquisition of CPC in Australia and EverPower in the US. Within the current portfolio, 23% of the aggregate revenues come from outside Europe, with 78% from outside the UK.

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. We create value for our stakeholders by acquiring, transforming and selling asset-backed businesses in essential industries.

The shift in a company's strategic and operational direction often places it at the forefront of developments in its industry, as seen in the establishment of best-in-class processes and systems to professionalise operations at Infinis and EverPower. Playing such an active role in transforming an industry differentiates Terra Firma from other private equity firms.

Fang Zhao, Rupert Mackay

BROAD-BASED EXPERTISE

OUR GREATEST STRENGTH IS THE QUALITY OF OUR TEAM

OUR REPUTATION

Terra Firma is one of Europe's leading private equity firms. Since 1994, it has developed a strong reputation in the investment community for independent thought and the ability to execute transactions that capture value in underperforming industries through strategic and operational change. This has resulted in a robust and high quality pipeline of deals.

Terra Firma works to transform its businesses to best-in-class – Infinis, AWAS, RTR, and DAIG are prime examples of how strategic and operational change and sustained investment have created market-leading companies.

OUR PEOPLE

Our greatest strength is the quality of our team. Today, that team comprises more than 100 people of 23 different nationalities speaking 22 languages.

We have built up substantial transactional, operational and analytical expertise in-house. This multi-disciplinary capability allows us to manage an investment from the initial identification of an opportunity through the purchase and transformation of a business to its eventual sale. Throughout the course of our investment, our in-house specialists work together with the management teams to maximise the long-term value of our portfolio businesses.

We believe our ability to create value is directly related to the diversity of our team, and we actively recruit people with varied experiences to strengthen this aspect of our firm. Promotion is based solely on the contribution each individual makes and the value they add in accordance with our core values.

Christian Dube, Madeleine Evans

Our team works in an open manner to ensure that everyone, no matter what their background or seniority, can contribute their ideas, experience and expertise to the development of our businesses. We encourage our people to question accepted ways of doing things in order to unlock new ideas.

BROAD-BASED EXPERTISE

We ensure our people have the skills they need to help our business achieve its strategic goals

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 the group's senior executives to ensure they have a good 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, counselling and job enrichment as well as formal training programmes, courses and professional qualifications. Our sponsorship programme helps those wishing to gain recognised professional qualifications and Terra Firma has a policy of supporting employees in pursuing qualifications that will help their work and career 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 hired six entrants onto its inaugural Graduate Analyst Training Programme. In 2011, eleven individuals were hired onto the two-year training programme. As a central part of the scheme, individuals learn about all aspects of Terra Firma and complete rotations with Investor Relations, Finance, the Transaction Teams, the CIO office and the Portfolio Business Teams. This programme continues to be a great success with the graduates who, as a result, have developed a broad base of skills on which to build their careers. TFCPL intends to hire a third graduate intake in 2013.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work. In 2011, Terra Firma made five internships available and plans to do the same in 2012.

In 2011, a mentoring programme was introduced. The programme helps staff maximise their effectiveness by accessing the knowledge and experience of colleagues in the firm through a mentor/mentee relationship.

BROAD-BASED EXPERTISE

SPECIALIST ADVISERS

As well as its in-house specialists, Terra Firma is advised by an array of distinguished professionals from the realms of international politics, economics and business.

These professionals provide Terra Firma with the collective experience of renowned figures who lead their respective fields. They 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.

This group consists of: Giovanni Aliboni, Lord Birt, Ian Bremmer, Fraser Duncan, Prof. Gordon Edge CBE, Chris Evans, Elizabeth Filkin, Fangyi Huang, Dr. Michael Kern, Wolfgang König, Sir Gerry Loughran KCB, Prof. Dr. Klaus Rauscher and Dr. Werner Seifert.

The Terra Firma managers are also advised by external 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.

Patrick Finan, Raphael Gouin

RESPONSIBILITY

WE TAKE OUR RESPONSIBILITY TO THE WIDER COMMUNITY VERY SERIOUSLY

Tim Money, Joanna Tucka, Ryan Macaskill

Ruhul Amin, Robin Boehringer

We recognise that our portfolio businesses 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.

SOCIAL RESPONSIBILITY

Terra Firma encourages its portfolio businesses to be aware of and to manage material environmental and social risks affecting their businesses and to implement value-creation initiatives that have a positive environmental and social impact.

As a reflection of our commitment to building sustainable businesses, Terra Firma has become a signatory of the United Nations Principles for Responsible Investment (UN PRI). The UN PRI promotes the integration of consideration of environmental, social, and governance issues into investment, due diligence and management processes.

Within the UK, our businesses are committed to the CRC Energy Efficiency Scheme and to developing strategies to better manage energy consumption.

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 a strict equal opportunities policy and strives to develop a culturally diverse and inclusive team.

RESPONSIBILITY

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, comply with industry standards and local regulations and that act in a socially responsible manner.

COMMUNITY ENGAGEMENT

We promote direct engagement with our neighbouring community and encourage equally active engagement on the part of our portfolio businesses.

TFCPL is fully committed to supporting its local community of Southwark in inner-city London. From 2006 to 2008, TFCPL donated 10% of its net annual profits to the Terra Firma Charitable Trust. Since 2009, this donation has been split between the Terra Firma Charitable Trust and the Private Equity Foundation (PEF). These donations have enabled the Trust to make total commitments of over £1.4 million to charitable organisations working in and for our local community.

Terra Firma is a founding member of PEF. PEF's core mission is to reduce the number of young people not in education, employment or training, enabling them to reach their full potential. Through a combination of financial donations and pro-bono business expertise, PEF works to break the cycle of intergenerational unemployment by supporting children and young people early on and throughout the critical school years. Since its foundation in 2006, PEF has provided basic skills, social and emotional support, and skills for work programmes for 42,000 children and young people through 17 charities.

TFCML is fully committed to supporting its local community in Guernsey and has made donations to the following organisations:

HEADWAY GUERNSEY

4-YEAR FUNDING (2010-13)

Headway Guernsey supports over 50 islanders, and their families, who are living with the long-term effects of a brain injury. The charity provides a wide range of services that bring people together in a supportive and positive environment, as well as running a helpline offering information and advice and providing the opportunity to talk to others who have been through similar experiences.

LES BOURGS HOSPICE

1-YEAR FUNDING (2010)

Les Bourgs Hospice was founded in 1990 to offer a home-from-home which could provide the highest levels of compassionate and professional care to patients suffering from life-limiting illnesses, as well as their loved ones. All Bailiwick of Guernsey residents are able to come to the hospice for residential, respite and day care and there is no charge. The hospice has no guaranteed income and is entirely dependent on donations.

DYSLEXIA DAY CARE

5-YEAR FUNDING (2011-15)

The Dyslexia Day Centre is a Guernsey-based charity organisation offering tuition, assessments, support and advice to anyone affected by dyslexia. Since the Centre's inception in 1987, it has helped over 2,000 children. Its contribution to the community was recognised when it received the Queen's Award in 2011.

GSRA

2-YEAR FUNDING (2011-12)

Mick Mahy, a local resident, provides racket ball lessons to special needs people at Beau Sejour in Guernsey. Since starting the scheme in late 2010, he has provided over 500 sessions and the number of people taking advantage of these free lessons has increased from 11 to 29 every week. The TFCML donations will help fund equipment and court hire.

YOUNG PEOPLE GUERNSEY

1-YEAR FUNDING (2011)

YPG is a local charity recently established to provide an information, advice and counselling centre in St Peter Port aimed at young people aged 11-16. YPG is working in partnership with Barnardo's in the UK.

CRIMINAL JUSTICE ALCOHOL SERVICE

5-YEAR FUNDING (2010-14)

The service is a partnership between the Guernsey Alcohol and Drug Abuse Council and the Probation Service, and is funded by the Drug and Alcohol Strategy. It was established to reduce the negative impact alcohol can have on the community, families and individuals. The donation from TFCML will help finance a full-time employee for this valuable service.

RESPONSIBILITY

Since 2006, the Terra Firma Charitable Trust has made commitments of over £1.4m

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 London 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.

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

ACTION FOR CHILDREN
1-YEAR FUNDING (2011)

The Southwark Young Carers project was set up for children who care for a member of their family, usually a parent, with an illness, disability, mental health or substance misuse problem. These young carers are particularly vulnerable as their needs tend to go unrecognised, remaining hidden until a situation reaches crisis point. As 98% of the families the project works with are one-parent families, these children have to cope with the emotional and physical stresses of caring for the parent, as well as taking care of their younger siblings and running a house. Southwark Young Carers identifies young carers between the ages of 8-18 and provides critical emotional support to ease their burden, build their resilience and help hold their lives together. The project currently supports 50 children and provides educational and recreational opportunities.

ADDACTION
3-YEAR FUNDING (2011–13)

With over forty years of experience, Addaction's mission is to help transform the lives of people affected by drug and alcohol problems. Its key focus is on relapse prevention through aftercare which helps ex-addicts to rebuild their lives through education, training and employment opportunities. The expected returns are personal, social and financial – a single drug user is estimated to cost the government £44,000 each year through the NHS, criminal justice system and financial dependency on the state.

AGE CONCERN LEWISHAM AND SOUTHWARK
6-YEAR FUNDING (2007–12)

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 helping make later life a fulfilling and enjoyable experience.

CHILDREN'S COUNTRY HOLIDAYS FUND
5-YEAR FUNDING (2009–13)

CCHF All About Kids was established in 1884 to take children from London's slums away for holidays in the fresh air and country surroundings. Today, the charity provides a range of residential activity and respite breaks for children aged 7 to 11. It allows children, many of whom suffer poverty, neglect and domestic violence, to escape the traumas of their everyday life and simply 'become children again'. Through various activities such as visits to the seaside and team games, the charity helps children grow in confidence, develop social skills and learn greater independence.

RESPONSIBILITY

CREATE ARTS
6-YEAR FUNDING (2008–13)

Create Arts uses creative arts to help transform the lives of the most disadvantaged and vulnerable people in our society. Working with leading professional artists, Create develops and delivers an extensive, UK-wide programme of education and community activities across all art forms. Since its foundation in 2003, Create has run more than 2,970 workshops, mainly as part of sustained, life-changing programmes, for over 19,700 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 in Bermondsey.

KIDS COMPANY
4-YEAR FUNDING (2007–9, 2011)

Kids Company was founded by Camila Batmanghelidjh 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 years educational and life skills academy. Based in Southwark, the Academy is specifically designed to meet the needs of young people who reject or have been rejected from other educational facilities. It provides courses on life management as well as study and business skills, maths and English, drama and more.

MANNA SOCIETY
1-YEAR FUNDING (2012)

The Manna Centre is a day centre for the homeless based near London Bridge. Founded in 1982, the centre is open every day, and between 130 and 220 people use the Centre for breakfast, lunch or one of the other services provided. As well as providing hot food and a place to rest during the day, the Centre offers showers, clothing, medical services and welfare advice. It has recently started to offer basic English and IT training as well as help to boost self esteem and improve users' ability to find work or manage the welfare system themselves.

PRINCE'S TRUST
6-YEAR FUNDING (2006–11)

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- to 30-year-olds realise their potential and transform their lives.

QUEENSLAND PREMIER'S DISASTER RELIEF FUND
1-YEAR FUNDING (2011)

The Premier's Disaster Relief Appeal was set up in 2011 to help provide relief for the people of Queensland, Australia affected by flooding and Tropical Cyclone Yasi. Three-quarters of the state of Queensland was declared a disaster zone with many communities devastated and some families losing everything. The Trust made a donation to help rebuild these communities and kick-start the local economies.

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

The London Music Centre was founded 18 years ago in Islington and opened a Centre in Southwark in 2010. 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, 2012)

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 44,000 people across the UK who had been resigned to long-term unemployment and welfare dependency. It operates a range of programmes ranging from the Working It Out programme, which helps excluded young people from deprived neighbourhoods into jobs, to The Junction, a unique residential community that provides intensive support for men aged over 21, including ex-prisoners and ex-Armed Forces personnel who face serious barriers to employment.

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, including 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 South London-based charity which aims to provide support to young people to encourage wise lifestyle choices. The charity was established in 1996 by Patrick Regan in response to a stabbing in a school playground; it was set up to work with students and teachers to help with difficult behavioural issues. Over the years, XLP has grown from working in a single school to operating in over 30 schools and communities across Southwark, Lewisham, Greenwich, Bexley, Tower Hamlets and Newham.

RESPONSIBILITY

A WARM WELCOME AND A HELPING HAND IN THE HEART OF SOUTHWARK

For some, it's a place where they can come for their only hot meal of the day. For others, it's a listening ear and a welcome respite from another day living on the streets. For others still, it's a chance to learn valuable skills that could help them get back into the workplace.

The Manna Day Centre is located in one of London's most deprived boroughs and provides both a compassionate and practical response to Southwark's poverty and homelessness problems.

The team of paid staff and volunteers welcomes around 200 people every day – more than half of them homeless. The Centre opens its doors at 8:30 in the morning and every week the kitchen serves around 900 meals, 300 mugs of soup and countless cups of tea.

MORE THAN JUST A HOT MEAL

As well as providing hot food and a place to rest during the day, the Centre also offers showers, clothing, access to medical professionals and advice on housing and welfare. Putting a roof over people's heads is a key priority in many cases and last year staff helped around 200 people to find new accommodation.

The Centre has also identified a need among its users for basic literacy, numeracy and IT skills. Without them, it can be extremely difficult to find work or even navigate everyday situations such as filling out forms and understanding the welfare system. To help build those skills, the Centre now offers free training four days a week.

FROM ALL WALKS OF LIFE

Spend any time at the Manna Day Centre and it is clear that everyone who walks through the door has a unique story to tell. Georgina, for example, is a 58-year old woman who became homeless late in life. She was only on the streets for a short while before a young man made the spontaneous decision to offer her a place in his squat. They have grown incredibly close and now regard each other as family. A regular visitor to the Centre, Georgina is hoping to find work and eventually pay for her own privately-rented flat.

Samuel is a 32-year old homeless man who had to leave the flat he shared with his wife and daughter after the breakdown of his relationship. He went to the local council for help, but was told that he was ineligible for assistance as he had no priority needs. He spent a few weeks staying with friends, but they couldn't help him indefinitely and he eventually resorted to sleeping on the night buses. At the Centre he was given help to find a hostel place and is also talking to advice workers about the depression he feels at being separated from his family.

Originally from Poland, John has been wrestling with alcoholism for 15 years. Ineligible for benefits and any other kind of state support, he has nowhere else to go and lives in a squat without heating or electricity. He is open about the fact that he's not yet ready to stop drinking, but he will always have a warm welcome – and access to a warm meal – at the Manna Day Centre.

RESPONSIBILITY

The Manna Day Centre provides both a compassionate and practical response to Southwark's poverty and homelessness problems

Above: Sorting clothes at the clothing bank
Left: The Manna Centre offers a range of services to Southwark's homeless

In many cases, people who use the Centre introduce others who also need its services. This was how Samira first made contact. Samira is a young woman who was being threatened by her neighbour where she lived in Manchester. Her friend in London, who had previously been housed by the Centre, persuaded Samira to come south and ask the Centre for help. The day after she came to London, Samira completed a homelessness declaration at the Centre and was given temporary accommodation in Southwark.

Not surprisingly, the economic climate is also playing its part in the growing demand for the Centre's services. Abraham is a well-educated, industrious man in his thirties who had a good job with a commercial lettings company until the firm went bankrupt. Despite his best efforts, he couldn't find another job before his savings ran out and he was unable to pay the rent on his flat. Staff at the Centre found him a place at a night shelter and in a few months he was back in work and is now saving the deposit for a new flat.

This range of practical and emotional needs is typical of the work the Centre does every day, and demand just continues to grow. Staying open is expensive, though. The Manna building is provided rent-free by the Roman Catholic Diocese of Southwark but, apart from a small grant from the local council, it depends on donations to keep going.

TERRA FIRMA'S SUPPORT

The Terra Firma Charitable Trust has pledged £30,000 to the Manna Society in 2012 and Paddy Boyle, who runs the Centre, is in no doubt about the importance of such support. "The donation will go towards the running costs of the Manna Day Centre," he says. "It is greatly appreciated and essential to the continuation of the services we offer here to some of the most disadvantaged people in our society."

CORPORATE GOVERNANCE

TERRA FIRMA IS COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

FRAMEWORK

Terra Firma is committed to the highest standards of corporate governance and TFCPL, TFCML and terrafirma GmbH have well-established and highly effective corporate governance frameworks.

TFCPL

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.

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 anti-money laundering and compliance reports, and appointment of members of sub-committees of the Board. These include the Investment Review Committee (IRC) and the Remuneration Committee.

William Burnand is Company Secretary and is a qualified solicitor in England and Wales.

William qualified in 1994 and trained at Slaughter and May for seven years, in London and New York, before moving to Nomura International plc in 2000 where he worked for its Principal Finance Group. William joined Terra Firma in 2002 when it spun out from Nomura.

INVESTMENT REVIEW COMMITTEE

The IRC consists of Tim Pryce, Robbie Barr and Chris Barnes. It 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, refinancings 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 which 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 in this regard and the individual remuneration packages for all TFCPL employees.

CORPORATE GOVERNANCE

TFCML

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

John Loveridge joined Terra Firma in 2002 as a Non-Executive Director of the Group's Guernsey-based entities. John is a native Guernseyman and a former Managing Director and Principal Shareholder of Redbridge Offshore Ltd following the sale of the company in 2002 to Mourant, the Jersey legal and specialist administration firm.

He previously held senior positions with Bridgewater Administration, Guernsey International Fund Managers (Barings) and Butterfield Fund Managers in both Guernsey and in Grand Cayman. During his 40-year involvement in the offshore banking, finance and fund industries, he has gained extensive experience in the management and administration of a wide range of institutional, private equity and fund of funds investment vehicles for a world-wide client base. He currently sits on the offshore boards of the funds and underlying corporate structures of several major investment groups worldwide.

Nigel Carey joined Terra Firma in 2002 as a Non-Executive Director of the Group's Guernsey-based entities. Nigel is a Guernsey Advocate and was a partner in the firm of Carey Olsen (until March 2003, Carey Langlois) from 1977 until he retired in 2008. During his career as a partner in Carey Olsen, he was a prominent corporate lawyer who regularly advised banks, investment managers and mutual funds. He remains with the firm as a consultant.

Nigel qualified as a solicitor of the Supreme Court of England and Wales in 1974. He was called to the Guernsey Bar in 1975 and was Chairman of the Guernsey Bar Council from 1997 to 1999. He was formerly an Ordinary Member of the Guernsey Financial Services Commission from 1992 to 2004 and is currently a member of the board of the Guernsey Banking Deposit Compensation Scheme as well as being on the boards of a number of investment funds and other companies associated with the fund business.

John Stares joined Terra Firma in 2007 as a Non-Executive Director of the Group's Guernsey-based entities. Before moving to Guernsey in 2001, John was with Accenture for three years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in most industry sectors and during his 15-year tenure as a partner held a variety of leadership roles in Accenture's Canadian, European and Global consulting businesses.

John is a Non-Executive Director of Jersey Electricity and JT Group (formerly Jersey Telecom). He has recently completed a 10-year term as the Managing Director of Guernsey Enterprise Agency and five-year terms as a Non-Executive Director with the Ogier Group and Aurigny Airlines. John is also Chairman of the Governors of More House School, a Trustee of the Arts & Islands Foundation and a former President of Rotary Guernesiais. John is a Fellow of the Institute of Chartered Accountants of England and Wales and a Member of the Worshipful Company of Management Consultants.

TERRAFIRMA GMBH

The Geschäftsführer of terrafirma GmbH is Arjan Breure and the Prokurist is Chris Barnes.

CORPORATE GOVERNANCE

CONFLICTS OF INTEREST

Terra Firma has a Conflicts Policy addressing both personal and corporate conflicts of interest. Most procedures for dealing with conflicts of interest 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 policies are in place to regulate, amongst other things, business or other activities outside TFCPL, entertainment and gifts, personal account dealing and directorships in the portfolio businesses. The entertainment and gifts policy was substantially amended in 2011 in light of the implementation of the UK Bribery Act.

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.

Manabu Kurata, Simbarashe Chiguma

GENERAL ACCOUNTABILITY

AUTHORISED STATUS
TFCPL is authorised and regulated by the UK FSA to provide investment advice to, and arrange deals for, the Terra Firma funds. TFCML is licensed by the Guernsey Financial Services Commission. 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, among other things, ensure that the UK-based directors and employees of TFCPL 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.

State Street (Guernsey) Ltd is the Compliance Officer of TFCML. The Compliance Officer's function is to ensure that the Guernsey-based directors and employees of TFCML comply with the rules of the Guernsey Financial Services Commission and other relevant local legislation.

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 & Touche.

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 & Touche.

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 & Touche.

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, operations or financial condition.

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.

SENIOR TEAM REMUNERATION

THE REMUNERATION OF OUR SENIOR TEAM IS DESIGNED TO ATTRACT, MOTIVATE AND RETAIN HIGH CALIBRE STAFF

REMUNERATION POLICY

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

REMUNERATION PACKAGE

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

ANNUAL SALARY

For 2011, the total cash compensation paid to the Senior Team was £10,167,697 and the average for these 16 individuals was £709,353. Salaries are reviewed annually and are set in relation to an individual's performance and market comparator groups. The Senior Team is not eligible for discretionary 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 members of the Senior Team 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 members of the Senior Team are eligible to join one of the company's permanent health insurance schemes. These policies provide up to 75% of pre-disability income once an individual exceeds six months' continuous sickness absence, subject to a maximum payment of £250,000 per annum.

PENSION ARRANGEMENTS

The Senior Team 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 up to four times basic annual salary at the date of death
(ii) a pension will be provided to an individual's spouse, civil partner or dependants at the date of death, equivalent to 25% of Final Pensionable earnings, together with pensions for each of up to four 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 his or her dependants.

SENIOR TEAM CONTRACTS

It is the company's policy that the Senior Team has contracts with an indefinite term which provide for a minimum of 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 Team members 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 – in each case for a period of at least three months following the termination of their employment.

ALIGNMENT OF INTEREST

ALIGNMENT OF INTEREST IS FUNDAMENTAL TO THE WAY TERRA FIRMA OPERATES

Robbie Barr, Guy Hands, Chris Barnes

Simbarashe Chiguma, Karen Dolenec, David Sanders

ALIGNMENT OF INTEREST

As well as investing capital on behalf of others, Terra Firma and its team have committed more than €550 million to the Terra Firma funds. As one of the largest investors, Terra Firma prospers along with its investors by developing and growing successful businesses.

This alignment of interest is fundamental to the way Terra Firma operates. 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 been repaid their investment and received 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.

RISKS AND UNCERTAINTIES

WE HAVE THE APPROPRIATE SKILLED INVESTMENT PROFESSIONALS, ORGANISATIONAL STRUCTURE AND PROCESSES TO MANAGE RISK

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 their view, the Terra Firma advisers constantly review advice from economic, political, legal, financial, tax and accounting advisory firms.

Ryan Macaskill, Dermot Ryan

Terra Firma is advised by an array of distinguished professionals from the realms of international politics, economics and business. 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.

RISKS AND UNCERTAINTIES

CORPORATE RISK

Terra Firma has policies and procedures in place 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

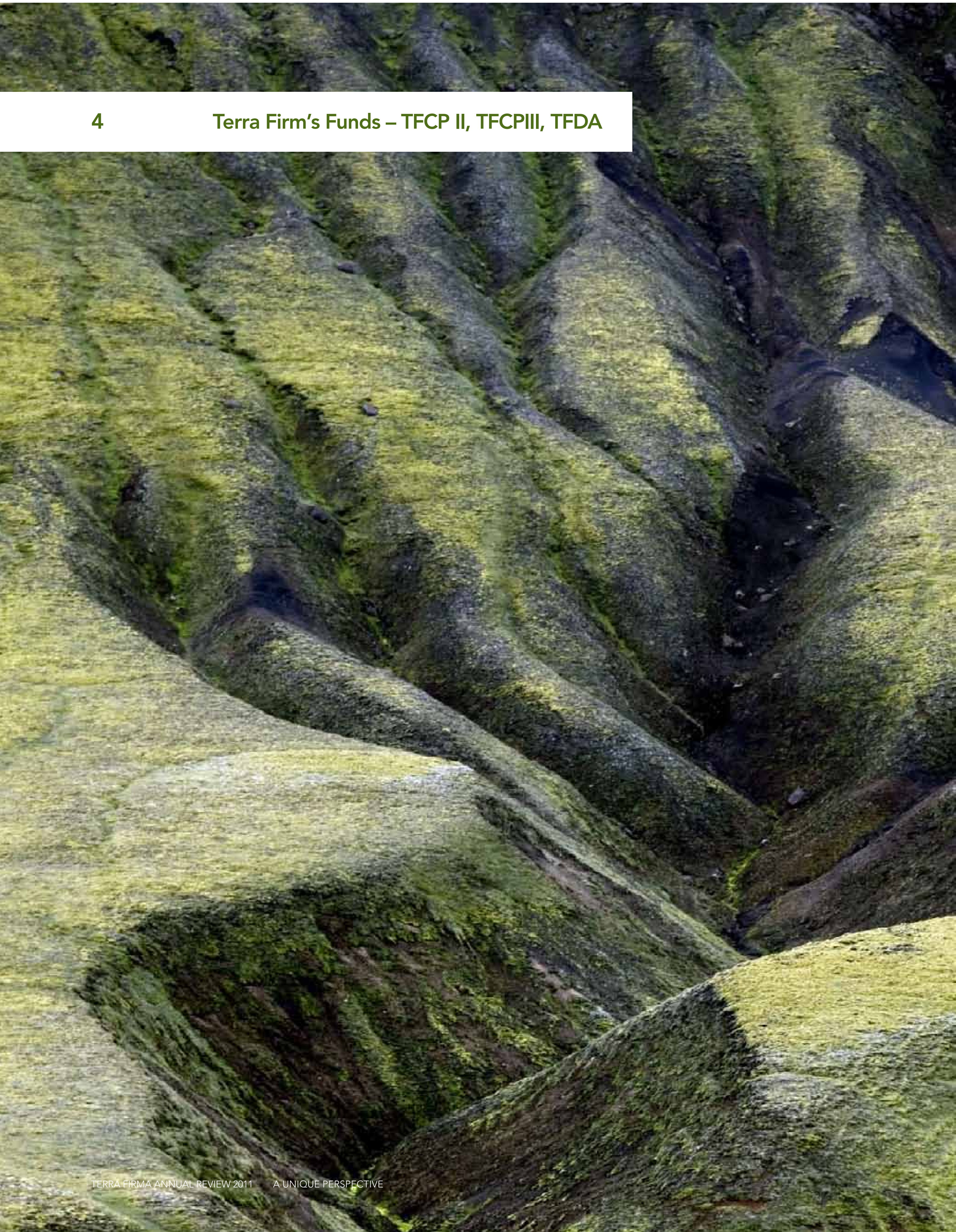
Given the success of the strategy to date and the strength of the advisory team, the Terra Firma advisers consider it unlikely that the Terra Firma fund managers might seek alternative investment advisers.

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.

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 these will be set out in their respective accounts.

4 Terra Firm’s Funds – TFCP II, TFCPIII, TFDA



TERRA FIRMA FUNDS

AGGREGATED FUND FINANCIAL STATEMENTS

BALANCE SHEET	Note	Aggregate 2011 €'000	Aggregate 2010 €'000
FIXED ASSETS			
Investments	3(b), 6	4,792,654	4,230,711
CURRENT ASSETS			
Cash at bank		47,349	79,880
Accounts receivable	7	4,749	32,762
CURRENT LIABILITIES			
Amounts returnable to LPs	8	1,591	–
Accounts payable	8	794	8,673
NET ASSETS		**4,842,367**	**4,334,680**
PARTNERS' LOAN AND CAPITAL ACCOUNTS		**4,842,367**	**4,334,680**
Revaluation surplus not included in Net Assets		2,085,672	1,596,388
Estimated Fair Value of Net Assets		**6,928,038**	**5,931,068**

PROFIT AND LOSS STATEMENT	Note	Aggregate 2011 €'000	Aggregate 2010 €'000
INCOME AND EXPENDITURE			
Bank interest	3(d)	417	311
Realisation of investment		–	25,861
Other income		7	–
Foreign exchange gain	3(e)	86	–
Interest on investments	3(d)	353	25,553
Realised gain on investments		4,426	5,900
Partnership expenses		(8,104)	(36,515)
Foreign exchange loss	3(e)	(21)	(596)
Auditor's remuneration		(200)	(229)
Bank charges		(26)	(22)
Net Income		**(3,062)**	**20,263**
Provision for impairment	3(b)	–	(1,133,641)
NET RESULT FOR THE YEAR		**(3,062)**	**(1,113,378)**

TERRA FIRMA FUNDS

CASH FLOW STATEMENT	Note	Aggregate 2011 €'000	Aggregate 2010 €'000
RECONCILIATION OF NET RESULT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Net result for the financial year		(3,062)	(1,113,378)
Add back impairment loss on investments		–	1,133,641
Decrease in receivables		28,577	1,310
(Decrease)/increase in payables		(6,288)	6,810
Deduct realisation of investment		–	(25,861)
Deduct realised gain on investments		(4,426)	(5,900)
Deduct interest on investments		(353)	(25,553)
Net Cash Inflow/(Outflow) from Operating Activities		**14,448**	**(28,931)**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed asset investments		(563,167)	(373,521)
Proceeds from sale of investments		4,745	144,836
Proceeds from financial restructuring		1,755	–
Net Cash Outflow from Investment Activities		**(556,667)**	**(228,685)**
FINANCING			
Drawdowns on Partners' commitments		647,196	487,705
Repayment of Partners' commitments		(12,255)	(113,015)
Advance of General Partners' share		(90,393)	(94,323)
Gross distributions during the year		(34,862)	(3,069)
Net Cash Inflow from Financing Activities		**509,686**	**277,298**
Foreign exchange impact	3(e)	2	3
NET (DECREASE)/INCREASE IN CASH		**(32,531)**	**19,685**

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
TFCP III Co-Investment 2A LP #	24 May 2010	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment C LP #	19 November 2010	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, debt, equity-related and debt-related investments predominantly in unquoted companies in Western Europe and by making other selective equity and equity-related investments.

NOTES TO THE ACCOUNTS

2. GENERAL PARTNERS' SHARES

The General Partner of the Partnerships marked * receives a profit share of 1.5 per cent of committed capital per annum (1.0 per cent for Terra Firma Capital Partners II, L.P.-H) 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 # is allocated a profit share equal to the lesser of 0.001 per cent 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 2011 €'000	Aggregate 2010 €'000
Advance of General Partners' share at 1 January	437,567	343,906
General Partners' shares for the year	90,393	94,323
Allocation of current year profit	(2,076)	(662)
TOTAL	**525,884**	**437,567**

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' 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 IPEV 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 Investment Advisory Agreements, Terra Firma Capital Partners Limited (TFCPL) was appointed to advise the General Partners as to the acquisition, monitoring and realisation of the investments of the Partnerships.

NOTES TO THE ACCOUNTS

6. INVESTMENTS	Aggregate 2011 €'000	Aggregate 2010 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS:		
As at 1 January	4,230,711	5,106,831
Additions during the year	563,167	373,521
Disposals during the year	(1,722)	(116,583)
Provision for impairment of investments	–	(1,133,641)
Foreign exchange impact	498	583
COST OF INVESTMENTS AT 31 DECEMBER	**4,792,654**	**4,230,711**
ESTIMATE OF FAIR VALUE	**6,878,326**	**5,827,100**

7. ACCOUNTS RECEIVABLE	Aggregate 2011 €'000	Aggregate 2010 €'000
Drawdowns receivable	3,412	2,848
Divestment proceeds receivable	–	29,061
Recoverable costs receivable	1,332	853
Other debtor	5	–
	4,749	**32,762**

8. ACCOUNTS PAYABLE	Aggregate 2011 €'000	Aggregate 2010 €'000
Accrued expenses	288	1,232
Costs payable	471	2,441
Other creditors	35	5,000
Amounts returnable to Limited Partners	1,591	–
	2,385	**8,673**

NOTES TO THE ACCOUNTS

9. RISK MANAGEMENT

Government Regulation

The Guernsey Limited Partnerships are regulated by the Guernsey Financial Services Commission. The operations of the Terra Firma portfolio companies are regulated by local 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 50 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 advisors, including TFCPL.

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 Partnerships 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 advisors, including TFCPL.

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

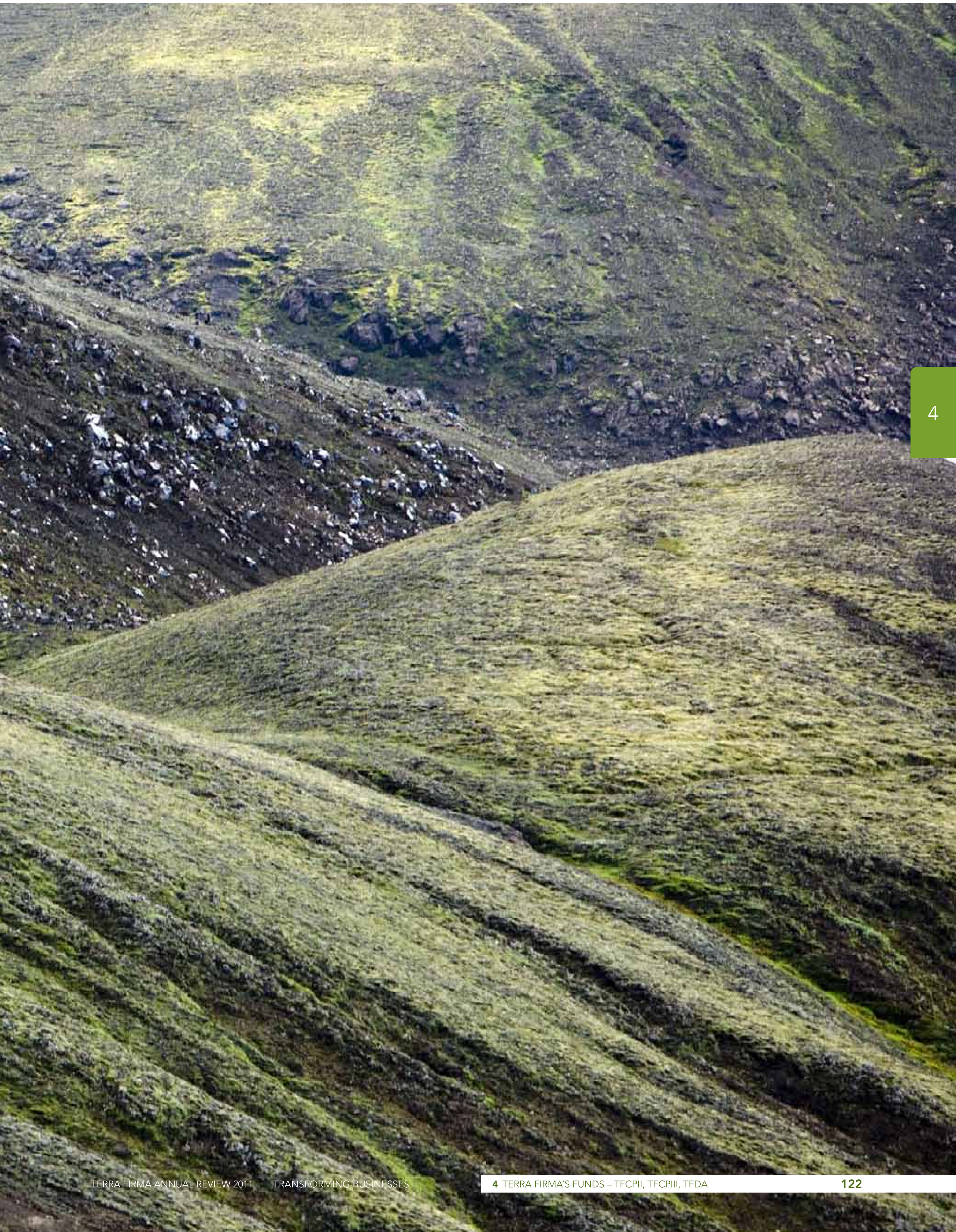
The Partnerships generally report in euros and distribute profits to investors in euros. The Partnerships invest in portfolio companies denominated in euros, US dollars, sterling and Australian dollars and pay expenses in a range of foreign currencies and hence have an exposure to currency movements. The Partnerships hedge foreign exchange exposures in the completion of investment acquisitions and realisations.

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 their portfolio companies, including business disruptions, legal and regulatory changes and human resources risk. The General Partners mitigate these risks by taking advice from TFCPL, which maintains 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.



CONTACT INFORMATION

TERRA FIRMA'S FUNDS

General Partners
Terra Firma Investments (GP) 2 Limited
Terra Firma Investments (GP) 3 Limited
Terra Firma Investments (DA) Limited
Terra Firma Investments (DA) II Limited
1st Floor, Dorey Court, Admiral Park
St Peter Port, GY1 6HJ
Guernsey

Boards of Directors of the General Partners
Nigel Carey
Guy Hands
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