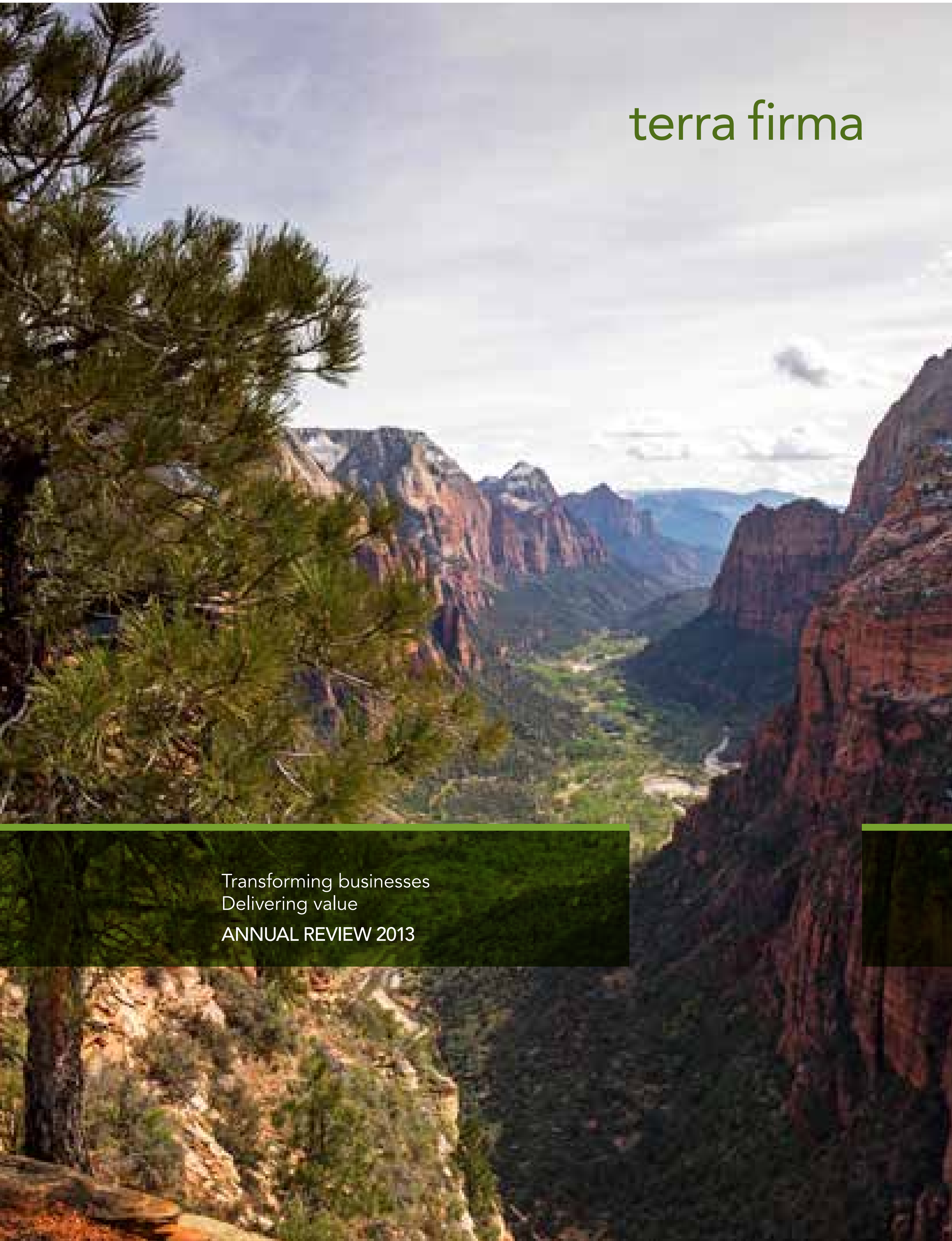
terra firma



Transforming businesses
Delivering value

ANNUAL REVIEW 2013

TERRA FIRMA
TRANSFORMING BUSINESSES
DELIVERING VALUE

All landscape photography by Richard Waite
on location at Zion National Park, Utah, USA

LETTER FROM THE CHAIRMAN

2013 has been a very successful year for Terra Firma

August 2014
Welcome to our latest Annual Review of Terra Firma and its portfolio businesses.

2013 proved to be a very active year, both for the global financial markets, many of which saw strong recoveries, as well as for Terra Firma, which had many notable achievements.

We continued to invest in our portfolio businesses as we grow each of them into industry-leading operators. In total, nearly €2 billion was spent on their development, with a further €200 million invested in add-on acquisitions for Four Seasons Health Care and The Garden Centre Group.

Last year, we refinanced €10 billion of debt in our portfolio businesses, giving them more stable and appropriate capital structures and freeing up additional cash which can be reinvested back into the businesses.

We also partially- or fully-exited a number of our businesses in 2013; we successfully sold Phoenix, and conducted two Initial Public Offerings, for Deutsche Annington and Infinis. For each of these transactions there was significant buyer interest, demonstrating the recognition in the markets of Terra Firma's ability to build sustainable businesses with best-in-class operations.

We had further success with Deutsche Annington in the first half of 2014, distributing the remaining shares of the company owned by the Terra Firma Deutsche Annington fund ('TFDA') to investors so that they could own them directly, cementing TFDA's standing as the most successful European real estate fund of its vintage. In total, Terra Firma has returned €6.5 billion to investors over the past three years, a sign of the significant value that we have been able to generate across our portfolio.

LETTER FROM THE CHAIRMAN

PORTFOLIO BUSINESS PERFORMANCE

Each of our businesses made pleasing progress in 2013, as a recovering global economy provided opportunities for growth and development.

AWAS continued its strong performance, with both revenue and operational profit before tax for 2013 coming in ahead of budget. We lowered the cost of capital in the business through refinancing two term loans, and reducing margins by 125bps and 175bps respectively.

CPC's performance was affected by very challenging weather conditions in 2013, as Australia experienced one of its hottest and driest years on record. In this context, CPC's property and market diversification enabled it to redirect cattle between properties and hold off from selling them into lower-priced markets. Export markets also showed some improvement during the year, as Indonesian restrictions were lifted and demand increased.

In 2013, Four Seasons Health Care was reorganised into three distinct business units to better serve the dementia care, private elderly care and specialist care markets. Each of these segments has appointed its own separate CEO to ensure it has the leadership necessary to drive further growth. The business also made several important acquisitions last year, including the purchase of seven high-quality homes from Majesticare.

The Garden Centre Group made significant progress in 2013. Terra Firma has been implementing its strategy of broadening the focus of the group to different kinds of customers – appealing not just to the serious horticulturalist but also improving its offering to leisure customers. Earnings were up by more than 50 per cent last year, due to the major strategic and operational changes that Terra Firma has implemented. The business also acquired ten new garden centres last year, further consolidating its position as the UK's largest plant- and garden-focused retailer.

Odeon & UCI continued its expansion in 2013 with four new site openings in the UK and Italy. While challenging trading conditions, especially in Spain, had an impact on attendance, the fourth quarter of 2013 was the second strongest quarter in Odeon's history.

We sold Phoenix to Hastings' managed fund Utilities Trust of Australia and The Royal Bank of Scotland Group Pension Fund in August 2013. The sale of this business to a high-quality infrastructure investor is a testament to Terra Firma's ability to build strong infrastructure businesses which are well-positioned for long term growth.

LETTER FROM THE CHAIRMAN

In December, Tank & Rast completed a major refinancing which allowed the company to significantly lower its cost of capital, and freed up about €45 million of additional cash flow per year. This will be reinvested into further growth initiatives for the business.

We are delighted with the progress made by our renewable energy investments in the last year. Most notably, Infinis was listed on the Main Market of the London Stock Exchange in an Initial Public Offering in November. This was a landmark transaction in the renewable energy space, and was accomplished amidst a very challenging political and media environment for energy companies in the UK.

RTR continued to make important improvements to its infrastructure, such as panel tilt adjustments and wiring changes. It also improved its environmental practices and developed its Health and Safety Management systems, which culminated in the achievement of two internationally-recognised accreditations.

EverPower spent the year focused on ensuring that all of its wind farms that were commissioned in 2012 were operating at industry-leading levels of availability which, at an average of 97 per cent for the year, came in at 1 per cent above budget.

Our residential real estate businesses also performed very well last year. Annington continued to benefit from the 2012 Rent Review uplifts, with an overall increase in group rental turnover. While no Rent Reviews took place in 2013, the business prepared for the next Rent Review cycle that started in 2014.

Deutsche Annington was listed on the Frankfurt Stock Exchange in July 2013, and by the fourth quarter its shares traded at an average of €18.97, 15 per cent above the €16.50 listing price. This fantastic result demonstrated the strength of a business that Terra Firma has built out of a series of housing portfolio acquisitions. Our transformation of Deutsche Annington into Germany's leading private residential landlord was recognised by Private Equity International magazine, which in 2013 awarded the transaction its Operational Excellence Award for European large-cap companies.

MARKET OUTLOOK

Recovery seems to be taking hold across the globe. In the US, a strong economic recovery is well under way, while Europe appears to have put the worst of the crisis behind it. While this is clearly positive from an investment perspective, it is also taking place against a backdrop of serious geopolitical crises.

At first glance, political instability is the largest threat to markets and investment today. While this is nothing new, the fact that social media can quickly mobilise large groups of people, combined with America's unwillingness to carry on being the world's policeman, means they can escalate at any time and in a way which is unpredictable.

Nearly €2 billion was spent on the development of our portfolio businesses in 2013, with a further €200 million invested in add-on acquisitions

LETTER FROM THE CHAIRMAN

Sun Tzu wrote in The Art of War, "If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

The West is struggling to deal with enemies it cannot comprehend and a "yourself" it no longer knows. Diplomatic and military engagement has not yet caught up with the modern reality of extra-national threats – such as the effects of social media on domestic politics, foreign hackers, terrorist cells, religious extremism or nationalist movements. All of this is contributing to the political instability that is sweeping the world and is not understood by today's political leaders.

Over the past 70 years, the western world has seen unprecedented peace and prosperity, thanks largely to the willingness and the ability of the US to keep any major threats in check. While many saw this increased stability as a permanent structural shift, it is in fact proving to be a cyclical one, and the pendulum is now swinging back in the other direction. The US has reached a position where it no longer has the resources or desire to keep policing the world – and no other world power is able to take its place.

Though the economic situation in Europe has improved markedly in the last year, European countries are still too concerned with addressing their own internal problems to be able to tackle political, military or economic challenges elsewhere. Even when a crisis appeared on its own doorstep, as happened with Russia and Ukraine, politicians in Europe were extremely hesitant to get involved.

Many expect China to try and fill the leadership void being left by the US, but this is unlikely to happen within the next decade. While it has certainly achieved superpower status on an economic scale, China does not come close to the US in terms of military or diplomatic power. Even if it did, it is not clear that engagement in international conflicts would appeal as it would probably not help further its own domestic objectives.

However, China does appear to want to increase local military engagement in Asia, as evidenced by its territorial disputes with Japan and other neighbours. Unfortunately, Japan's government seems to be responding to the challenge with increasingly militaristic language and posturing. While Prime Minister Shinzo Abe and his government have made significant strides towards improving the Japanese economy and shaking the country out of its two-decade slump, this has been partnered with a growing nationalism which creates a greater risk of conflict with China.

The Middle East also continues to be a major source of conflict and insecurity. Contrary to the hopes of many and the expectations of some, the Arab Spring has led to weakened governments and a deterioration of security across the region. Whether it is Egypt, Libya or Syria, life for these countries' citizens is considerably worse than it was just a few years ago, with no immediate prospect for improvement. Weak governance has already led to militant uprising in Iraq, and it is not difficult to see this phenomenon spreading to other Middle East countries over the coming months.

LETTER FROM THE CHAIRMAN

All of this political uncertainty would be expected to have an impact on stock markets, but instead we have seen many of them reaching new highs. So either markets are underpricing political risk, or they have come to a different conclusion: possibly that these geopolitical crises are unlikely to have a major impact on western stock markets. In fact, they may even be supportive of asset prices in the west.

While this conclusion may seem counterintuitive, it has become a well-established pattern of the modern global economy that political or economic strife in one part of the world, particularly the developing world, sends capital abroad in search of a safe home. The beneficiaries of this trend over the last year have largely been developed markets in the West, in particular the US and the UK.

All of this cash is likely to continue supporting asset prices, thus giving an illusion of economic health in developed markets. But critically, in most places this positive market performance is unlikely to benefit the average citizen, for whom real wages continue to fall while asset prices go up and life continues to get more difficult. Though unemployment has improved significantly in both the US and UK amidst broader economic recovery, the benefits have yet to filter down to an actual increase in living standards. In the UK, real wages for the median worker have fallen eight to ten per cent since 2008, while in the US conditions have been difficult for much longer – there, median real weekly earnings were roughly the same in 2013 as they were in 1979.

This is reflective of a larger global trend, which is the increased concentration of wealth among the very wealthiest in society, with a larger and larger share of those at the 'bottom' (which is increasingly capturing the 'middle' as well) struggling to achieve the modern ideal of continuously rising living standards. Those wealthy few at the top, who control the majority of the global capital, are deriving larger and larger percentages of the returns from greater productivity, while most other workers are finding themselves suddenly having to compete not just in their domestic economies, but with labour from across the globe. Bankers, doctors, engineers and lawyers – once considered safe, protected professions – are finding they are no longer immune from the shockwaves of globalisation. Economies and markets are improving, but the majority of the population is less and less likely to derive any benefit from these developments.

In addition to the prospect of continued inflows from conflict-ridden parts of the world, developed markets are also supported by the incredible amount of cheap money in the world thanks to the loose monetary policies of central banks.

While this excess liquidity is currently keeping valuations up, it is in itself a potential risk to markets. At some point it will dry up, and when that happens there will be serious repercussions. For example, it is increasingly likely that we will either see an increase in inflation and/or a decision by central banks that there is simply too much liquidity out there, resulting in a forced reduction in liquidity. While many believe that cheap

We see many opportunities for creating value in Europe

LETTER FROM THE CHAIRMAN

money will be with us for some time to come, it is simply delaying the inevitable reversion to normal interest rates, and is likely to lead to a more aggressive correction later.

In the near term, the investment picture is therefore very difficult to predict. However, in private equity we seek to invest and build businesses for the longer term, and so we aim to focus not on the immediate political or economic difficulties, but to look closely at the businesses themselves in order to understand their long-term potential for creating value.

We see many opportunities for creating value in Europe. The region is recovering from its crisis very slowly, and it could be at least another ten years before the region fully recovers. However, from an investment perspective this means that in Europe there are a number of businesses which are fundamentally strong, but which have been weakened by the crisis. Their management have been distracted and focused on survival, and have therefore not been investing for future growth.

With the right strategy for growth, active management and extra investment where needed, the performance of these businesses can be transformed, offering the potential for good long-term returns. Private equity, with its long-term focus and alignment of interest, has an important role to play in terms of identifying and investing in companies with a potential to deliver growth and create jobs within Europe.

CONCLUSION

The past year has been a very successful one for Terra Firma. We have exited a number of businesses, generated significant returns for our investors and made substantial improvements to our existing portfolio companies.

2014 will be an exciting year for us. It marks the twentieth year since the founding of the Principal Finance Group at Nomura, Terra Firma's predecessor. Since then, we have invested over €16 billion in 33 businesses with an aggregate enterprise value of more than €47 billion.

Over these two decades, we have consistently built best-in-class businesses across a number of sectors. We have proven our ability to look past short-term market turmoil and focus on delivering high performance for our stakeholders. With 20 years of experience and valuable learning behind us, we believe that our ability to transform businesses and deliver value for our investors is stronger than ever.

I would like to take this opportunity, on behalf of all of us at Terra Firma, to thank all of our stakeholders for their support in 2013. I would also like to thank the management and employees of our portfolio businesses, along with the Terra Firma team, for their success in delivering important progress across the portfolio.

With best wishes,

Guy Hands

LETTER FROM THE CEO

At Terra Firma, we are passionate about building better businesses, and we have built a team to deliver this

August 2014

During 2013, Terra Firma continued to achieve its key objectives of further growing and strengthening its businesses, realising the value it has created in them and returning capital to its investors. We have been able to succeed in achieving our goals thanks to the continued hard work and dedication of our large and diverse team.

A PASSION FOR BUSINESSES

At Terra Firma, we are passionate about building better businesses, and we have built a team to deliver this. Terra Firma is unusual among its private equity peers for employing such a large team of financial, operational, and legal and tax professionals. Since Terra Firma's founding, our large and diverse team has enabled us to work closely with each of our businesses at every stage of our investments to help them maximise their potential.

Having a large and experienced team means that when we need to act quickly in a business, we have the skills and resources to do so. In the past five years, we have seconded 24 Terra Firma employees into roles within our portfolio businesses, of which four were executive roles.

LETTER FROM THE CEO

As CEO, I have focused on building a diverse team with a wide variety of backgrounds and skills. The firm has around 100 employees. They come from more than 20 different countries, speak over 20 different languages and have attended more than 50 different universities.

This diversity is central to our investment strategy of fundamentally transforming businesses. We foster an internal culture which encourages the development of new perspectives and approaches. Terra Firma is an open, non-hierarchical environment where accepted wisdom is frequently tested. After conducting thorough research and data analysis on a possible investment, professionals from different areas of the firm come together to discuss a proposal, and the intellectual tension between transaction, operational and strategic views helps us develop better insights.

Whether we decide to strategically reposition a business, undertake a transformational acquisition or strengthen a management team, the purpose of this process is to explore all the possible ways that we are able to improve our businesses, to better position them for future growth and success.

INVESTING IN THE FUTURE OF THE FIRM

Terra Firma's approach to investment is distinctive – we don't just focus on the financial elements of an investment, we are fully involved in every step, from pre-acquisition due diligence through to strategy development, implementation and exit. In order to instil this holistic view of investment into our up-and-coming employees, we have developed a training programme designed to expose new joiners to every aspect of the private equity business.

In 2013, we were very pleased to welcome nine new graduates onto our Graduate Analyst Training Programme, with a further six joining in 2014. This newest class was selected from among 1,589 applications, which came from graduates of a broad range of UK and overseas universities – over 80 institutions in total – including New York University, Yale, the Massachusetts Institute of Technology, Stellenbosch, Sciences Po and Erasmus.

This three-year programme gives each analyst the opportunity to work across all of the different teams within Terra Firma, helping them understand how each part of the firm interacts.

One year is spent working in the deal teams, getting exposure to the financial and operational aspects of an investment. Another year is spent rotating amongst the other Terra Firma teams, to understand how they all work together to achieve our objectives – they all spend time in Investor Relations, Finance, Portfolio Business Finance, Legal, and the office of the Chief Investment

LETTER FROM THE CEO

Officer. They will each also spend 12 months working directly in one or more of our portfolio businesses, helping each analyst understand what goes into building strong and sustainable businesses.

Every analyst is also given the opportunity to complete the Chartered Financial Analyst ('CFA') programme, giving them a deep understanding of the financial services industry and equipping them with valuable knowledge and credentials.

IMPROVING KNOWLEDGE SHARING

Since Terra Firma was founded in 1994, we have built up a wealth of knowledge and experiences, and we continue to benefit from this expertise due to the long tenure of our most senior colleagues. The average tenure of our Senior Management Team at Terra Firma is 16 years, and across all Managing Directors it is ten years.

We are now working on improving ways of sharing that knowledge and expertise among the wider firm. One important way of doing this is through the graduate analyst programme, where analysts are often working with Managing Directors and are able to learn directly from them.

CONCLUSION

As Terra Firma enters its twentieth year, we remain focused on delivering on our strategy of investing in asset-backed businesses in essential industries which are in need of fundamental change.

We have built an incredible team, comprised of both long-standing senior investment experts and newer colleagues who are being encouraged to explore all sides of the private equity business, not just the financial. Through collaborative working and knowledge sharing, we are embedding our well-honed processes deep into Terra Firma's culture, to ensure the firm's success well into the future.

Best wishes,

Tim Pryce

We are fully involved in every step of an investment and don't just focus on its financial elements

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EXECUTIVE SUMMARY

TERRA FIRMA

Terra Firma is one of Europe's leading private equity firms with over twenty years' experience of investing in Europe.

Since our inception in 1994, we have invested over €16 billion in 33 businesses with an aggregate enterprise value of over €47 billion and followed a consistent and distinctive approach to investment. We buy asset-rich businesses in essential industries that require fundamental change. This approach has led us to invest in three areas: transformational private equity; operational real estate; and infrastructure 'plus', including renewable energy.

Transforming and creating value in businesses is at the heart of what we do and we formulate our own strategies for the businesses we acquire. We constantly seek better ways to do things and new ways for our portfolio businesses to operate.

This entrepreneurial approach drives our distinct way of working which has been developed and refined over years of investing in and operating businesses. Looking at things differently, with a fresh perspective is part of our culture and embedded in the way we work.

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, Terra Firma Holdings Limited, Terra Firma Capital Partners Limited, Terra Firma Capital Management (Guernsey) Limited and any of their affiliates.
The financial information contained in this Annual Review is correct as at 31 December 2013

EXECUTIVE SUMMARY

Chris Barnes, Guy Hands, Tim Pryce

Transforming and creating value in businesses is at the heart of what we do

We are long-term investors who build sustainable businesses by investing time, money and expertise. Through transforming the strategy, operations, finances and management of our businesses, we make them best-in-class.

Raising long-term capital from a wide range of investors gives us the time we need to transform our businesses away from the public markets and create value for our stakeholders.

OUR INVESTMENT STRATEGY

Terra Firma means 'solid ground', reflecting our consistent and distinctive approach to investment. Since 1994, we have followed a consistent investment approach of acquiring companies that have been overlooked, are underperforming or whose performance we feel can be significantly improved. These may be in sectors that are out-of-favour or businesses that have been under-managed or under-capitalised. Our goal is to build best-in-class businesses and generate superior returns by transforming their strategy, operations, finances and management.

We drive that transformation through being directly involved in our businesses. We take a pro-active role in determining strategy and ensuring its effective implementation.

CONSISTENT INVESTMENT CHARACTERISTICS

All our investments share three characteristics; they are asset backed, in essential industries, and require fundamental change or repositioning.

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. It also offers a wide variety of options to create value in our businesses through financings and exits.

Our extensive expertise in asset-backed investments dates back to our origins. 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 which offer a stability of underlying demand and so are more resilient in downturns. They do not depend strongly on technological innovation or branding and are often in regulated sectors where we have considerable experience. Thus far, this approach has led us to invest in energy and utilities, infrastructure, affordable housing, leisure/hospitality, agriculture, healthcare and asset leasing.

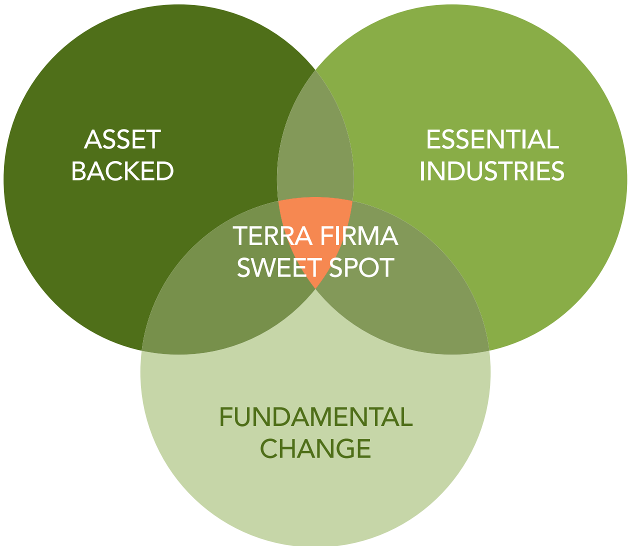
We are strategy focused. We invest in businesses that meet the three core elements of our strategy rather than looking for businesses in specific sectors. We have invested in many businesses across a number of sectors which has allowed us to identify common drivers of value.

EXECUTIVE SUMMARY

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, making add-on acquisitions, investing significant amounts of capital and dramatically improving operational performance. We typically strengthen the management team by combining the existing team with our own experts and with new hires, but where required, we will bring in a new team to drive the necessary changes to transform the business. We drive transformational change through intensive, hands-on intervention and deploy our in-house teams into our businesses to ensure delivery of the strategy.



We drive transformation through being directly involved in our businesses

EXECUTIVE SUMMARY

OUR INVESTMENT STRATEGY

VALUE DRIVERS

We will only make an investment when we see multiple opportunities to create value using our five value drivers. 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 competing buyers. Some examples of how our investments have benefited from this approach are given below:

1

TRANSFORMING STRATEGY

Identifying a transformational strategy is central to our approach to creating value in our businesses. We look at a business with a fresh pair of eyes which can provide new insights and often an alternative approach. 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 them at the forefront of developments in their industries. We continue to refine and improve the strategies of our businesses throughout our ownership.

***The Garden Centre Group ('TGCG')** is developing revenue streams that both enhance the customer experience and are less weather dependent, particularly by devoting more space to concession partners and restaurants. The customer experience and store format is being improved in order to provide a better and broader offering which appeals to both 'leisure' and traditional 'gardening' customers.*

*For **CPC**, Terra Firma undertook a major strategic review in 2012, and the resulting plan is focused on repositioning the business from being a farm gate producer to a market-focused supplier. A more commercial mindset has been introduced along with an analytical capability to identify investment opportunities to develop existing assets, explore new geographical markets and make add-on acquisitions.*

***Tank & Rast** initiated a number of changes to refocus and reposition the business. These included: rationalising the tenant base so the most successful tenants were given the opportunity to take over some of the less well-managed sites; gaining agreement from the federal and regional governments to introduce new signage on the Autobahn, significantly improving the visibility of its service stations and, hence, revenues; and renegotiating the fuel supply arrangements so that Tank & Rast now self-supplies five per cent of the fuel, generating additional income.*

EXECUTIVE SUMMARY

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STRENGTHENING MANAGEMENT

Our aim is to build exceptional management teams in our portfolio businesses to implement change and drive operational excellence. We typically strengthen management by combining the existing team with new hires. These often come from outside the sector to bring a fresh perspective.

When necessary, we will bring in a new management team to implement our strategy and drive the business forward as it goes through the essential changes needed to transform the business and create value.

A key element of the new strategy for ***Four Seasons Health Care ('Four Seasons')*** *is to reorganise the company into three distinct businesses, each with its own CEO and senior management team. This segmentation of the business will allow the teams to focus on the needs of their individual customer groups and develop the appropriate offering. Terra Firma has worked to build a team in each business that has the requisite capabilities and skills to drive the change required for each business area.*

RTR *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.*

EXECUTIVE SUMMARY

OUR INVESTMENT STRATEGY

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DEVELOPING THROUGH CAPITAL EXPENDITURE

We are prepared to invest substantial sums in our businesses to transform them and we implement new frameworks for capital expenditure programmes to improve performance and grow our businesses organically. We also develop scalable platforms for expansion, enabling our businesses 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.

A total of €13.4 billion of capital expenditure has been undertaken by our current portfolio businesses[1].

AWAS *now has a structure that is able 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 a significant delivery pipeline with Airbus and Boeing for 48 modern, fuel efficient aircraft.*

Together with 29 new aircraft delivered in 2013 and 16 other acquisitions from airlines and other lessors, the asset base of the business continues to grow and strengthen.

Since the original acquisition of ***EverPower****, more than €380 million has been invested in the construction of pipeline assets through a low point in the cycle. Through both a targeted procurement programme and well-established relationships with all the major suppliers, EverPower has built out the portfolio quickly and at low cost. By the end of 2013, EverPower had built and put in operation five best-in-class wind farms.*

Annington *has invested in property and site improvements to maximise the value from house sales. The team determined that with the types of properties that it owns, the location and environment have greater buyer appeal than internal furnishing and decoration. Therefore, Annington has targeted capital expenditure on creating an attractive environment and 'street scene' around the properties.*

[1] Aggregate capital expenditure for all portfolio businesses up to 31 December 2013

EXECUTIVE SUMMARY

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BUILDING THROUGH MERGERS AND ACQUISITIONS

We undertake mergers and acquisitions to strengthen our portfolio businesses, aiming to grow their scale and capability and consolidate and improve their position within their industries to realise synergies. Since 1994, Terra Firma has invested in 33 businesses and executed over 50 additional bolt-on acquisitions to build them.

Odeon & UCI *were acquired as part of separate transactions and offered considerable synergies if merged. Until merger clearance for the two UK businesses was received, they were run as separate businesses. Once the merger was approved, Odeon & UCI were successfully integrated and achieved synergies in excess of the acquisition plan. Since then, Odeon & UCI has taken advantage of industry consolidation within the European cinema market through acquisitions of individual cinemas and cinema chains in Spain, Italy, Portugal, Germany, the UK and Ireland, adding 100 sites and over 1,000 screens to the company's portfolio and making it the number one pan-European cinema operator.*

Terra Firma identified ***Phoenix*** *as a key asset within East Surrey Holdings, our multi-utility business, and divested the other subsidiaries within the group to focus on its development. The team continued to grow and protect the core distribution business with subsequent disposals of Phoenix's transmission division and both its supply businesses, leaving a stable pure-play distribution business.*

EXECUTIVE SUMMARY

We constantly seek better ways to do things and new ways for our portfolio businesses to operate

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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 their capital structures to take advantage of the market environment through refinancings and securitisations.

The diversification of ***Infinis's*** *power portfolio and the geographic spread of its assets within the UK have reduced the business's operational risk which in turn has allowed the business to optimise and simplify its capital structure. In December 2009, Infinis completed a refinancing by raising £275 million through a five-year high yield bond. In February 2013, this bond was itself refinanced with a £350 million six-year high-yield bond. In October 2013, Infinis refinanced its wind portfolio with a secured term-loan facility of approximately £296 million and ancillary facilities of approximately £33.5 million, reducing the cost of debt by over two per cent.*

In July 2013, ***Deutsche Annington*** *listed on the Frankfurt Stock Exchange, offering €575 million in shares. It has since been able to access the public debt markets and issue over €2.5 billion of unsecured debt, including a $1 billion debut transaction in the US bond market: the largest US bond issue ever completed by a European property company. With access to both equity and debt markets, Deutsche Annington has the ability to obtain significant capital with which it can fund further development and growth.*

EXECUTIVE SUMMARY

OUR BUSINESSES

In 2013, we continued to focus on driving change and creating value in our investments. Each business faced its own individual challenges and we worked closely with each management team to drive operational improvement and deliver on the strategic plan.

For some of our businesses, this meant developing their portfolios through add-on acquisitions to build market share and drive synergies or rationalising through selective disposals. Odeon & UCI opened four new sites and disposed of one. AWAS took delivery of 45 aircraft and sold 17 to optimise asset concentrations and manage end-of-life aircraft. TGCG made a number of additional acquisitions over the course of the year, including The Garden & Leisure Group, which added seven sites to the portfolio. Four Seasons also added to its portfolio, including the acquisition of 17 high-quality care homes which form part of the newly-formed Private Care business.

For some of our more mature investments, the strategic plan involved a partial or complete disposal. During 2013, we exited Phoenix through a trade sale and partially-exited both Infinis and Deutsche Annington through IPOs on the London and Frankfurt stock exchanges respectively.

FINANCIAL POSITION

Managing the balance sheets of our portfolio businesses is a key component in their continued success. Working with each management team, we have continued to focus on de-risking the businesses and following developments in the debt markets to ensure that any attractive opportunities for refinancing are utilised.

Deutsche Annington successfully completed an IPO in 2013, enabling it to access the public debt markets. The business subsequently achieved an investment grade rating of BBB from Standard & Poor's, allowing it to complete the overhaul of its capital structure which it began two years ago.

In December 2013, Tank & Rast completed a €2.1 billion refinancing of its debt. This significantly lowered its cost of capital, freeing up additional cash flow which will be reinvested into further initiatives for growth.

AWAS lowered its cost of debt through refinancing two term loans and also extended its warehouse facility drawing period. AWAS's Finance team was recognised as 'Leasing Treasury Team of the Year' by Airfinance Journal, reflecting its achievements in sourcing and structuring the business's debt-financing requirements.

VALUATIONS

We are proud of the work we do to improve businesses and aim to be leaders in transparency and reporting. We have always believed that private equity firms should be realistic and transparent about valuing their businesses on a mark-to-market basis. For each portfolio business, we complete a thorough and detailed valuation annually or more frequently if circumstances merit, with the process and resulting valuations audited by KPMG.

Whilst fair market valuations are important indicators of value, we are a long-term investor because the sort of changes we embark on take time. Investing for the long term is vital in order to create successful and sustainable businesses and our business plans are designed to deliver long-term growth rather than short-term profit.

EXECUTIVE SUMMARY

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. We continue to be prudent when determining year-end valuations; however, nearly all the portfolio businesses' fair market valuations have increased since the end of 2012.

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.

We are focused on building sustainable, long-term value in our portfolio businesses. Our portfolio businesses showed a solid operational performance in 2013 and most companies reported year-on-year improvements in EBITDA.

EBITDA BY PORTFOLIO BUSINESS	CURRENCY	2012	2013	% INCREASE
Annington[1,2]	£m	137	177	29%
AWAS[4]	$m	831	931	12%
CPC[1,2]	A$m	2	0	(95)%
Deutsche Annington	€m	474	470	(1)%
EverPower	$m	18	54	200%
Four Seasons	£m	97	98	1%
Infinis[1,3]	£m	125	148	18%
Odeon	£m	101	80	(21)%
Phoenix[5]	£m	23	n/a	n/a
RTR	€m	116	121	4%
Tank & Rast	€m	217	235	8%
TGCG	£m	28	43	54%

[1] Based on 12 months to March 2013 and March 2014
[2] Unaudited and presented on a management accounts basis
[3] EBITDA before operating exceptional items
[4] Based on 12 months to November 2012 and November 2013
[5] EBITA presented for Phoenix in 2012. No 2013 figure is presented as the business was sold during the course of the year

OUR BUSINESSES

OPERATING PERFORMANCE

ANNINGTON

During the year Group rental turnover continued to benefit from the 2012 Rent Review uplifts and whilst cost of sales and administration expenses were higher than expected in the period, these were more than offset by profits derived from the sale of properties. Some 514 properties were released by the Ministry of Defence ('MoD') to Annington and stock levels remain low.

AWAS

AWAS continued to perform well in 2013, with revenue and operational profit before tax above expectations. AWAS has a strong order book of aircraft deliveries up to 2015 through both contracted orders with Boeing and Airbus, and acquisitions on the open market. Of the 48 pipeline aircraft, 33 had been contracted by the end of 2013.

CPC

CPC's performance was affected by very challenging weather conditions. Australia experienced one of its hottest and driest years on record which placed significant pressures on the business. However, CPC's property and market diversification enabled it to redirect cattle between properties and hold off from selling them into lower-priced markets. Costs were higher than expected because of the resulting drought-related feeding, transport and leasing costs that were incurred. Encouragingly, export markets showed some improvement during the year, as Indonesian restrictions were lifted and demand increased.

DEUTSCHE ANNINGTON

Deutsche Annington continued to make solid progress with its investment programme which is focused on increasing the quality of its housing stock whilst making a positive environmental contribution and enabling older citizens to remain in their own homes for as long as possible. Approximately €800 million has been budgeted for these initiatives up until 2018.

EVERPOWER

EverPower spent the year focused on ensuring that all of the wind farms commissioned in 2012 were operating at industry-leading levels of availability. Some initial problems with turbines at Mustang Hills and Twin Ridges (EverPower's two largest sites) were resolved under manufacturer guarantee and both finished the year operating at above 98 per cent availability. This strong operational performance, combined with favourable power prices meant full-year revenue was above expectations.

FOUR SEASONS

Over the course of 2013, Terra Firma completed its detailed and comprehensive review of Four Seasons. The resulting strategy restructures the organisation into three distinct businesses which offer exposure to significant growth sectors within the industry, namely dementia, private, and specialist care. Commissioned Services, the largest of the three businesses, focuses on dementia care. Private Care provides private residential and nursing care, while The Huntercombe Group offers specialist mental health care providing care, treatment and rehabilitation services in areas of mental health and brain injury. The business performed well; however the final financial results were reduced by the drive to exceed regulatory standards which resulted in increased staffing levels and one-off reorganisation expenses.

EXECUTIVE SUMMARY

INFINIS

Infinis continued to build its organic pipeline, helping to consolidate its leading position in the UK renewable energy generation sector and prepare the business for sale. Further to this, the business was successfully refinanced in February and October. In November, Infinis completed an IPO on the London Stock Exchange selling a 30 per cent stake to institutional and retail investors.

ODEON & UCI

Odeon & UCI experienced challenging trading conditions in 2013, especially in Spain. This resulted in EBITDA ending the year below expectations; however, the last quarter was the second strongest quarter in the business's history, reflecting a strong film slate and improved operating efficiencies.

PHOENIX

Cold weather and a strong performance in new connections, driven by particularly strong growth in the owner-occupied sector, resulted in EBITA being ahead of expectations in the first half of the year. In July and August, Terra Firma completed the refinancing and subsequent sale of Phoenix to Hastings' managed fund Utilities Trust of Australia and The Royal Bank of Scotland Group Pension Fund.

RTR

RTR continued to make improvements to its infrastructure and its environmental, health and safety processes, including training for all members of staff and improvements to site facilities. Following external assessments of RTR's environmental practices and health and safety management systems, RTR recently achieved the internationally-recognised BS OHSAS 18001 (occupational health and safety) and ISO 14001:2004 (environmental management) accreditations. EBITDA for the year exceeded the prior year, as full-year benefits of last year's acquisitions outweighed the impact of the poor weather and lower power prices seen during 2013.

TANK & RAST

Tank & Rast focused on development opportunities during 2013, including transitioning sites to the new fuel distribution arrangement, rolling out the new liquefied petroleum gas supply scheme and extending Sanifair to more third-party sites. Overall, EBITDA for the year was ahead of expectations and exceeded the prior year, mainly driven by the high-revenue and low-margin self-supply initiative.

TGCG

TGCG performed strongly during the year, with EBITDA above expectations, despite challenging weather conditions which led to like-for-like revenues being below expectations. The increased profitability was due to strategic and operational improvements, including an increased focus on concession and food and beverage income, greater control of staff hours and a reduction in marketing expenses.

EXECUTIVE SUMMARY

VALUE CREATION – THE TGCG STORY

The GARDEN CENTRE GROUP

THE CHANGING LANDSCAPE OF THE GARDEN CENTRE

When is a garden centre more than a garden centre? When it's somewhere to go for a spot of lunch. Or a place where you can pick up a pair of walking shoes or buy a cat basket. Or a good option on a rainy day where the kids have a play area and mum and dad can grab a coffee.

The British garden centre is an institution, but the proportion of customers who are visiting for reasons other than gardening is growing as these out-of-town centres broaden their appeal to become more attractive retail and leisure destinations.

Terra Firma's strategy for creating value at TGCG is firmly rooted in this changing marketplace. Two years after acquisition, TGCG is focused on growing its share of the traditional gardening market, through a superior plant offering and customer service, while continuing a process of diversification designed to capture a leading share of the new leisure and retail customer base.

In 2013, gardening and horticulture made up over half of site turnover at TGCG, with 'home' accounting for more than a third of site turnover and food and beverage accounting for the rest. The aim is to provide a wider and better customer offering by signing up additional established concessionaires and improving the food and beverage offering.

It is a strategy that not only responds to the changing needs of the market, it also mitigates against the seasonality of garden centre sales – adverse weather in recent years has had a significant impact on the performance of traditional gardening product ranges. By diversifying, TGCG is 'weather-proofing' the business and ensuring that its centres remain popular destinations even when the weather is poor and gardening is low on the priority list.

BROADENING THE OFFER

Following a detailed review of each site and its use of space, the management team has identified key areas where it can either make the existing product offering work harder or introduce new ideas that will increase footfall.

An important element of that strategy is engaging more retail partners to share the space. There are currently more than 160 concession partners in over 400 outlets, and they are contributing income to TGCG that is growing year-on-year. New concession partners include WH Smith, Laithwaites Wines, Millets, Bonmarche and Oak Furniture Land. As well as the traditional retail sectors, the business is also identifying fresh areas to be explored and is trialling farm shops, wine retailers and cook shops at a number of sites.

EXECUTIVE SUMMARY

VALUE CREATION

In the short to medium term, this strategy is expected to significantly increase the amount of space given over to concessions within TGCG sites, with a corresponding uplift in revenue.

Refining and expanding the food and beverage offering is another key pillar of the business's diversification. A new, highly-experienced, Food & Beverage Director has been appointed who is now driving a number of initiatives across TGCG's 109 restaurants including widening choice and improving quality. Together, they will help TGCG to stand out against traditional competition and make the company's centres more of a destination in their own right. Again, the aim is to give the centres more year-round appeal and encourage customers to visit even when they don't have garden-related shopping to do.

Tapping into the exponential growth of the UK coffee market, TGCG is also trialling two café models with a view to rolling them out at larger sites: a franchise model, where TGCG has teamed up with Costa Coffee, and an in-house model, where the business has developed its own offering.

THE RIGHT PEOPLE FOR THE JOB

Having the right team in place – from the Board to the shop floor – is always a vital element of Terra Firma's strategy to add value to a business. At TGCG, this has meant attracting talent from the retail and leisure worlds to complement the horticultural expertise that existed within the company.

The Board and the Executive Management team bring a wealth of experience with leading brands in these sectors including Virgin, Avis, GAP, M&S, Waitrose and AIRMILES. It is knowledge that is being applied at TGCG to improve everything from product choice to customer experience to the loyalty scheme, which has around three million members.

This focus on people is being carried through at every level of the business to ensure TGCG can deliver its new and improved offering to customers. The business has invested in initiatives ranging from apprenticeship schemes to a management development programme, as well as a range of support that includes flexible working and an employee assistance programme.

EXECUTIVE SUMMARY

TGCG is ensuring that its centres remain popular destinations even when the weather is poor and gardening is low on the priority list

INVESTING CAPITAL

In 2014, TGCG has allocated around £25 million of capital expenditure to maximise build-out and improve its retail, leisure and concession space as well as to develop its restaurant offering. Specifically, a space optimisation project has been implemented at 15 sites and is expected to be rolled-out across the rest of the estate. Additionally, a low-cost, high-impact refurbishment of TGCG's restaurants is being trialled in parallel to the coffee shop trials.

In the two years since acquisition, TGCG has put the team, strategy and finance in place to capitalise on the opportunity it has identified in the garden centre market and at TGCG. Initiatives around the business are already changing the way customers experience its centres and drawing new customers in, and there is considerable momentum behind a number of trials and operational initiatives that are set to further transform TGCG's offering.

EXECUTIVE SUMMARY

ABOUT TERRA FIRMA

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. Our investors are based all around the world.

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 Partnerships. Our four active funds are Terra Firma Capital Partners II ('TFCP II') and Terra Firma Capital Partners III ('TFCP III'), which are general private equity buyout funds, Terra Firma Deutsche Annington ('TFDA') which is a specialist German residential real estate fund and Terra Firma Special Opportunities Fund I ('TFSOFI') which is a specialist UK 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 Capital Partners Ltd ('TFCPL') in the UK, with support from Terra Firma Capital Management Ltd ('TFCML') in Guernsey, terrafirma GmbH in Germany and a representative office in China, provide investment advice to the general partners, including sourcing and advising on investment opportunities and realisation strategies.

Terra Firma's funds make investments in selected businesses across the world, but with a particular focus on Europe.

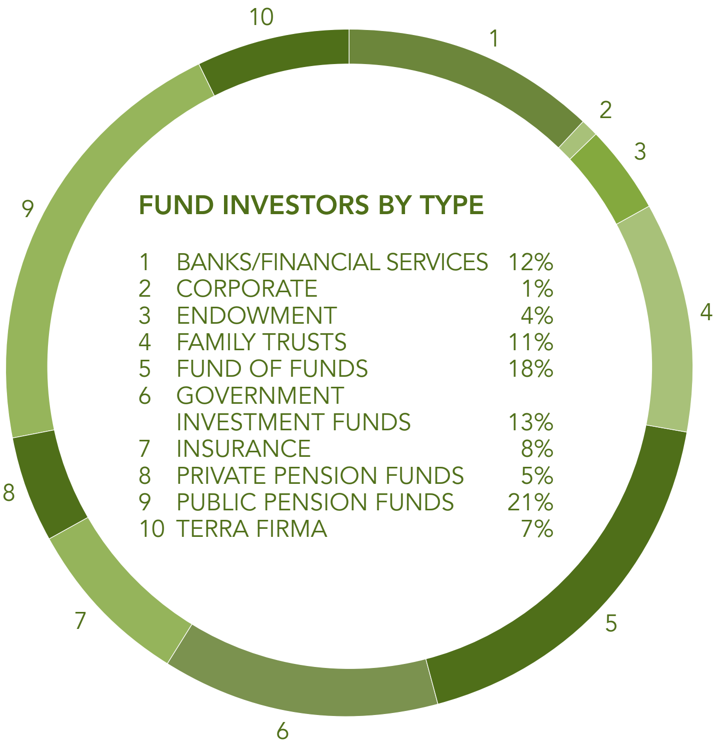
OUR PEOPLE

We hire people who have a passion for businesses and making businesses better. Looking at things differently, with a fresh perspective, is part of our culture and embedded in the way we work. We believe that having an in-house team with a wide variety of skill sets, backgrounds and experience is the best way to provide that fresh insight. We work in multi-disciplinary teams, allowing us to develop a unique understanding of industries and business models and to manage the entire investment process from acquisition through transformation to exit.

Because our strategy is highly transformational, we have a very interventionist and hands-on approach to managing our assets and this is reflected our size, diversity and skill base. The Terra Firma advisory team is made up of around 100 people in London, Guernsey, Frankfurt and Beijing drawn from more than 20 countries and speaking over 20 languages. They come from a wide variety of backgrounds including industry, finance, consultancy, private equity, law and accountancy.

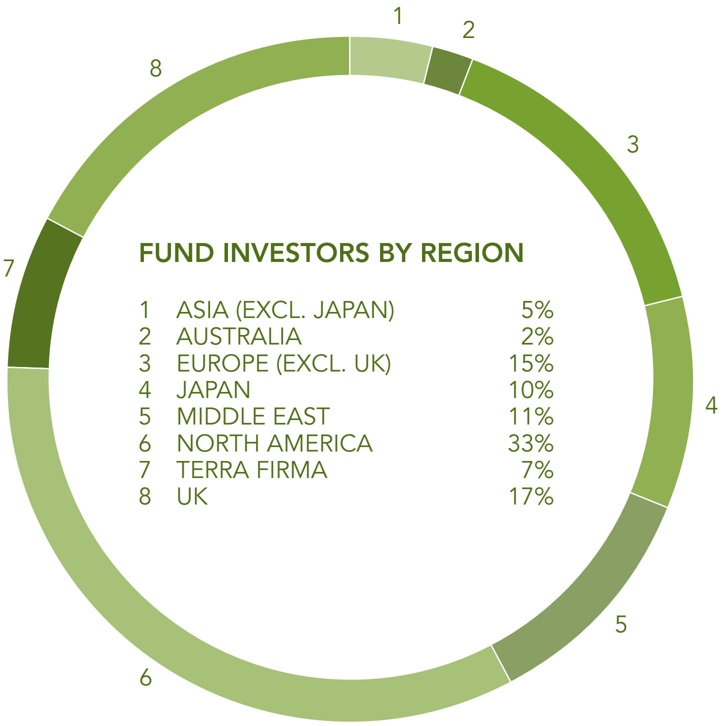
EXECUTIVE SUMMARY

We invest on behalf of pension funds, financial institutions, sovereign wealth funds, endowments and family offices



FUND INVESTORS BY TYPE

1	BANKS/FINANCIAL SERVICES	12%
2	CORPORATE	1%
3	ENDOWMENT	4%
4	FAMILY TRUSTS	11%
5	FUND OF FUNDS	18%
6	GOVERNMENT INVESTMENT FUNDS	13%
7	INSURANCE	8%
8	PRIVATE PENSION FUNDS	5%
9	PUBLIC PENSION FUNDS	21%
10	TERRA FIRMA	7%



FUND INVESTORS BY REGION

1	ASIA (EXCL. JAPAN)	5%
2	AUSTRALIA	2%
3	EUROPE (EXCL. UK)	15%
4	JAPAN	10%
5	MIDDLE EAST	11%
6	NORTH AMERICA	33%
7	TERRA FIRMA	7%
8	UK	17%

EXECUTIVE SUMMARY

SENIOR MANAGEMENT COMMITTEE

The Senior Management Committee has worked closely together since Terra Firma was spun out from Nomura in 2002. They are responsible for the firm's strategic direction, stakeholder relations, personnel and corporate responsibility. It is comprised of our most senior executives who bring complementary skills to the investment review process, drawing on their many years of experience in private equity.

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 partner of each of the Terra Firma funds and heads Terra Firma's Senior 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. During this time, Guy was a pioneer of the global securitisation markets, extending the practice beyond simple debt instruments to include assets such as shopping malls, mobile home parks and distressed loans.

Guy left Goldman Sachs in 1994 for Nomura International plc, where he established the Principal Finance Group ('PFG'). In 2002, he led the spin-out of PFG to form Terra Firma.

Over the last twenty years, Guy has overseen the investment of more than €16 billion in 33 businesses with a total enterprise value of more than €47 billion.

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. In 2012, Guy was named the 20th most influential figure in Private Equity International's '100 Most Influential of the Decade.' 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.

EXECUTIVE SUMMARY

Tim Pryce
Chief Executive Officer

Tim is a founding member of Terra Firma and its Chief Executive Officer.

He sits on the board of the general partner of each of the Terra Firma funds and is a member of Terra Firma's Senior Management Committee, and Remuneration Committee and is Chairman of the Board of Terra Firma's main advisory company. He is also a member of the Supervisory Board of Deutsche Annington.

Tim began his career practising law at Slaughter and May in London and Paris before working at GE Capital, Transamerica and then PFG at Nomura International plc.

Tim was initially Terra Firma's 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 including Annington and Deutsche Annington.

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.

Chris Barnes
Chief Financial Officer

Chris joined Terra Firma in 2001 and is its Chief Financial Officer. Chris sits on the board of the general partner of each of the Terra Firma funds and is a member of Terra Firma's Senior Management Committee and Remuneration Committee, and is a member of the board of Terra Firma's main advisory company. He also chairs Terra Firma's Sustainability Committee.

Chris has worked on the structuring and execution of many of Terra Firma's investments, including WRG/Infinis, Odeon & UCI, Tank & Rast, Phoenix and AWAS.

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.

EXECUTIVE SUMMARY

SENIOR INVESTMENT TEAM

Terra Firma has a high quality, in-house team with investment, operational, transaction, legal, tax and structuring skills. With considerable experience in identifying attractive investments and creating businesses of scale, the team is well-positioned to take advantage of the opportunities they see in the market. Working together, they actively manage our investments and drive forward the required changes in our businesses.

Robbie Barr
Operational Managing Director

Robbie joined Terra Firma in 2009 and is currently responsible for three portfolio businesses. He is Chairman of Odeon & UCI, Deputy Chairman of the Supervisory Board of Deutsche Annington and is a director of Four Seasons. Until July 2013, Robbie was Interim CEO of Deutsche Annington.

Prior to joining the group, Robbie held a number of senior positions at Vodafone Group plc, including Group Financial Controller and regional CFO for Vodafone's businesses outside Western Europe.

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

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

Arjan Breure
Financial Managing Director

Arjan joined Terra Firma in 2008 and focuses on operational real estate businesses, residential housing and healthcare. He is responsible for Terra Firma's investments in Deutsche Annington and Tank & Rast. Arjan currently sits on the boards of Deutsche Annington and Four Seasons, of which he led the acquisition.

Prior to joining the group, 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 Master's degree 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.

EXECUTIVE SUMMARY

Mike Kinski
Operational Managing Director

Mike has been involved in a large number of the group's investments since 2000, including the pub companies, WRG, Shanks, Infinis and East Surrey Holdings. Mike sits on the board of RTR and is a Terra Firma appointed Non-Executive Director of Infinis Energy plc, having been Chairman prior to its listing.

Previously Mike was Group Chief Executive Officer of Stagecoach Holdings Plc, and Chief Executive Officer of Power Distribution and Water Operations for Scottish Power Plc. In addition he was 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 joined Terra Firma in 2002 and has been involved in a number of the group's investments. He currently sits on the boards of AWAS and TGCG.

Prior to joining the group, his career ranged from sales management and corporate development roles for companies such as IBM and Nortel Networks to strategy work for management consultants Bain & Company.

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 INVESTMENT TEAM

Stefan Thiele
Operational Managing Director

Stefan joined Terra Firma in 2013 to focus on the firm's renewable energy investments. He sits on the boards of EverPower and RTR.

Prior to joining the group, Stefan spent 14 years at Energie Baden-Württemberg Ag ('EnBW'), one of the largest energy companies in Europe, with turnover of more than €18 billion and 20,000 employees. Whilst there, Stefan held a number of senior positions including Chairman of the Managing Board for the Renewable Energy Division from 2008. He has also held other positions in the energy industry with a focus on sales and operations.

Stefan was Chairman of Neckar AG, a German hydro power company; a member of the board of directors for Borusan EnBW Energy, a renewable energy company based in Turkey; and a member of the board of directors for Hidroelectrica, a Spanish utility.

Stefan holds an MSc in Electrical Engineering from the University of Aachen and speaks German and English.

Stefan is married with two children. He enjoys his family, sports and old cars.

Steven Webber
Financial Managing Director

Steven joined Terra Firma's forerunner, PFG, as an analyst in 1996. Steven currently focuses on the leisure, leasing and transportation sectors. He is responsible for the investments in Annington, AWAS, and Four Seasons and sits on the board of each of these businesses. Steven also worked on the acquisition of TGCG.

During his time at Terra Firma, he has worked on some of the firm's most successful investments including transactions as diverse as Annington, one of the very first for the group, Tank & Rast and the group's pub businesses.

Steven graduated from the University of Reading with an MSc in International Securities, Investment & Banking.

Steven enjoys travel, outdoor sports and photography.

EXECUTIVE SUMMARY

Ingmar Wilhelm
Financial Managing Director

Ingmar joined Terra Firma in 2014 to focus on the firm's renewable energy investments.

Ingmar joined from Enel Green Power, where he was Executive Vice President, Head of Business Development. He was directly responsible for a worldwide project pipeline of around 30 GW and a global team of 180 people.

Ingmar arrived at the Enel Group in 2003, where he was responsible for the origination and trading of power in Europe. From 2006 onwards, he managed the company's growth strategy and client base on the free market for power and gas supply in Italy. Prior to his time at Enel, Ingmar worked with E.ON and Électricité de France.

Ingmar has also served on the board of directors of several international joint ventures and associations, in particular EEX, Powernext, EPIA and dii.

Ingmar holds an MSc in Electrical Engineering from the University of Aachen. In addition to his native German, he speaks English, French and Italian.

Ingmar is married with three children. He enjoys music, gardening, literature and car racing.

The team has considerable experience in identifying attractive investments and creating businesses of scale

EXECUTIVE SUMMARY

SENIOR INVESTMENT TEAM

Julie Williamson
Financial Managing Director

Julie joined PFG, Terra Firma's forerunner in 1998. Julie currently focuses on the hospitality and leisure sectors. She led the investments in TGCG and 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 sits on the boards of TGCG and Odeon & UCI.

Prior to joining the group, 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 of the law firm 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.

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

Working together, we actively manage our investments and drive forward the required changes in the businesses

EXECUTIVE SUMMARY

LONG-TERM ALIGNMENT

At Terra Firma, we strongly believe in the partnership between the investors who provide the capital and the private equity funds that invest that capital. The long-term alignment of interest between the investor, the private equity fund and its employees is of the utmost importance.

We are one of the largest investors in our funds, with Guy Hands and Terra Firma having committed more than €800 million to our four active funds. This commitment together with the carried interest structure ensures that we are strongly incentivised to maximise returns for the benefit of all our investors.

Terra Firma's reward structure for its employees reflects this alignment, especially amongst its senior team where compensation is focused on carried interest. Carried interest is performance-based and the Terra Firma team is rewarded only if investors receive their required return over the life of the fund.

We believe that this type of incentive structure is vital in ensuring that our 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 our investors and – ultimately – the transaction team.

This combination of compensation primarily through carried interest and personal investment means Terra Firma and its employees will prosper along with our investors by developing and growing successful businesses.

We are one of the largest investors in our funds

EXECUTIVE SUMMARY

RESPONSIBLE INVESTMENT

Private equity investments have an impact beyond the financial returns that can be generated for investors. We recognise that we also need to consider the non-financial elements of our investments, such as the human, social and environmental impacts.

Responsible investment has always been an inherent part of our values and operational practice. Environmental, social and governance ('ESG') factors are integral to the way that we build best-in-class businesses, and we have embedded responsible investment policies and procedures in our investment strategy, due diligence and ownership processes. We have a rigorous investment review process, during which we consider all relevant risks including ESG factors; and we do not invest where we believe that those risks cannot be managed to an appropriate level. We have developed ESG materials which help our teams identify and assess relevant ESG factors during the pre-investment process.

Steve Webber, Arjan Breure

Our Responsible Investment Policy sets out our guidelines in relation to the consideration of ESG factors in the way we run our own operations, make new investments and manage our portfolio businesses. Its implementation is overseen by our Sustainability Committee, which is chaired by our CFO, Chris Barnes, and includes members from across Terra Firma.

As active managers with a strong operational thesis, we work closely with our businesses to maximise value for all our stakeholders. We encourage our 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.

Responsibility is embedded in the way we work

EXECUTIVE SUMMARY

TRANSPARENCY AND STAKEHOLDER INTERACTION

Julie Williamson, Robbie Barr

We are proud of the work we do to improve businesses and we consider it essential that all our stakeholders understand our objectives, plans and results, and how our activities contribute to the wider community. We therefore aim to be leaders in transparency and reporting, providing investors and wider stakeholders alike with in-depth reporting about both our operations and those of our portfolio businesses.

In 2007, following the recommendations made by Sir David Walker in his report on 'Disclosure and Transparency in Private Equity', Terra Firma was one of the first private equity groups in the UK to publish an annual review of its business.

Our portfolio businesses share our dedication to transparency, corporate social responsibility and environmental awareness. The majority publish annual reports in line with the Walker guidelines, although this is not mandatory for non-UK businesses.

A report published in March 2014 by the Guidelines Monitoring Group – the group created to monitor private equity firms' compliance with the Walker guidelines – featured five of Terra Firma's businesses as examples of good disclosure. In total, 16 examples from Terra Firma businesses were used within the report including both voluntary and first-time reporting businesses.

Terra Firma is active in the development of industry best-practice, 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.

We aim to be leaders in transparency and reporting

EXECUTIVE SUMMARY

OUTLOOK FOR 2014

While the global economy recovered well in 2013, we saw an increase in political risk and instability. The US is shying away from its role as the world's policeman, and there are a number of political hotspots around the world, each of which could potentially blow the global economy off course.

Another risk on the horizon is the withdrawal of ultra-loose monetary policy. Markets have been surprisingly resilient given the political instability, but they have remained buoyant largely due to the abundant supply of cheap money. However, that money can disappear very suddenly if the central banks deem it necessary – whether because of inflation fears, strong domestic growth or a worry that there is simply too much cheap money floating around. It is clear that the Federal Reserve is getting ready to start tightening the US money supply because of a pick-up in labour market activity and inflation, but, unfortunately, such a change in the US will have an impact on markets around the world.

Many investors have been going for yield, but losing sight of the fundamentals. At the moment, corporate tax rates tend to be low and profits are high, but that could easily reverse through government action. Companies are mindful of these risks and are clearly nervous about investing further in their businesses, preferring to build up large cash reserves or return money to shareholders via buybacks and dividends. This reluctance to invest risks holding back a potentially stronger recovery.

Private equity has continued to perform well in this environment. Strong equity markets have allowed many firms, including Terra Firma, to exit investments at attractive prices. However, there is a risk that rising prices may reduce the potential for achieving high returns. This is most evident in the US, where a rising stock market has made many companies extremely expensive.

We continue to believe that Europe offers the best opportunity for investment. The Eurozone crisis has left valuations depressed compared to their historic levels. Many attractive assets are currently in the hands of willing sellers, be they banks looking to clean up their balance sheets, corporates retreating to core activities and selling non-core units or governments trying to close deficits.

We continue to believe that Europe offers the best opportunity for investment

EXECUTIVE SUMMARY

We expect to see a lot of businesses in Europe coming up for sale, but they will need dramatic transformation, having lacked strong leadership and investment. It will take hard work to drive value in these businesses, and will require focus and patience, but these opportunities are a perfect match for Terra Firma's hands-on, operational approach.

Many investors are concerned that prices are too high, that there is too much money in funds and that private equity firms won't be able to invest all of it. These concerns are certainly justified, and that is why at Terra Firma we concentrate on opportunities where we know we will be able to add significant value through transforming and repositioning the business. In today's private equity environment, you cannot rely on markets and leverage alone to guarantee returns; you need an experienced operational team that isn't afraid to roll up its sleeves and get involved with the transformation of its businesses.

The best opportunities to create value will be with private equity firms whose approach is based on building better businesses. The strength of the private equity model lies in the alignment of interest between owners and management. Without the pressures of quarterly reporting, we are able to focus on the longer-term objective of building strong, sustainable businesses. In this way, private equity will continue to contribute to a strong global recovery.

Lorenzo Levi, Stefan Thiele

PORTFOLIO BUSINESS REVIEW

2

PORTFOLIO BUSINESS REVIEW

INTRODUCTION

ANNINGTON	UK residential housing – sales and rentals
infinis	UK renewable energy
AWAS	Worldwide aircraft leasing
ODEON / uci	Pan-European cinema group
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
RTR RETE RINNOVABILE	Italian solar energy
everpower	US wind power
TANK & RAST	German autobahn services
FOUR SEASONS HEALTH CARE	UK healthcare
The GARDEN CENTRE GROUP	UK garden centre group

Creating value in businesses through transformation and sustained investment

PORTFOLIO BUSINESS REVIEW – ANNINGTON

ANNINGTON IS THE LARGEST PRIVATE OWNER OF RESIDENTIAL PROPERTY IN ENGLAND AND WALES

ANNINGTON



41,500
HOMES

PORTFOLIO BUSINESS REVIEW – ANNINGTON

17,000

HOMES SOLD SINCE 1996

PORTFOLIO BUSINESS REVIEW – ANNINGTON

Annington sold 194 properties in the first nine months of 2013, including 54 to a housing association

YEAR END: 31 MARCH	YTD DEC 2012	FY 2013	YTD DEC 2013
Rental Business Revenue	£134m	£179m	£135m
Sales Business Revenue	£51m	£63m	£30m
Costs	(£48m)	(£65m)	(£42m)
EBITDA	**£137m**[2]	**£177m**	**£123m**
Net Interest Expense – External[1]	(£159m)	(£221m)	(£140m)
Loss Before Depreciation and Tax	(£22m)[2]	(£44m)	(£17m)
Capital Expenditure	£10m	£15m	£0m
Units Sold	260	329	194
Average Sales Price per Unit	£197,573	£191,237	£156,856

[1] Includes accrual interest on zero coupon bonds
[2] Excluding a write-off on investment

PORTFOLIO BUSINESS REVIEW – ANNINGTON

INVESTMENT RATIONALE

Annington acquired more than 57,400 residential properties from the MoD in 1996 and was created specifically to manage the properties leased back 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 approximately 41,500 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:

- Establish an efficient rent review process which would achieve the best results for the company whilst meeting the MoD's requirements;
- Develop a flexible and cost-effective refurbishment and sales capability to maximise the potential from sites released by the MoD; and
- Explore 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 over 17,000 homes to the public, with the majority sold to first-time buyers, Service or ex-Service personnel. Annington has built on the strength of its relationship with the MoD to position itself as 'housing provider of choice'; this has involved acquiring units, where returns are attractive, to meet the MoD's fluctuating needs.

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 been deployed on property and site improvements to maximise the value from house sales. 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 and lower the cost of capital in the business.

PORTFOLIO BUSINESS REVIEW – ANNINGTON

CURRENT FINANCIALS

Group rental turnover continued to benefit from the 2012 Rent Review uplifts, with turnover of £135 million for the nine months to 31 December 2013. However, this was partially offset by property releases from the MoD and the resulting transfer of units from Rentals to Sales, meaning that overall Group rental turnover exceeded last year's comparative period by just over £1 million.

The continued low release levels have left stock levels available for sale at historic lows. In the first nine months to December 2013, the Group sold a total of 194 units, including a bulk sale of 54 units at Stafford to a housing association. Annington continues to expend considerable effort on maintaining sales rates through sensitive pricing, marketing initiatives and sales incentives whilst managing releases to sale of stock held on short-term leases.

Year-to-date profit before finance charges and taxation was £123 million. Although cost of sales and administration expenses for the nine month period exceeded expectations, this was more than offset by profits derived from the sale of properties which was higher than expected.

CURRENT DEVELOPMENT PLAN

2013 was a 'fallow' year for Rent Review purposes with no Rent Reviews taking place and, along with Site Review preparations, time has been spent reviewing current comparable evidence in preparation for the next Rent Review cycle which starts in 2014.

Annington continues to optimise the value from releases of surplus properties by the MoD to unlock the potential to revert to full market value. It refurbishes and holds stock for short-term rent in order to defend market prices and releases units for sale as local conditions dictate or bulk leases properties to selected qualified counterparties (for example, housing associations) where redevelopment is anticipated pending planning consent.

Where value optimisation through sales of released units is not viable, MoD releases are let on the open market through the Rentals division for an immediate value uplift through rentals at or close to market rates.

In certain high value areas, the Developments division can add value through its expertise in planning and development. A series of successful joint ventures have demonstrated a clear ability to balance risk with sharing the upside from these opportunities.

Annington will continue to examine and benefit from the best options on a site-by-site basis and to operate dual sales and rental strategies where appropriate, while presenting a flexible approach to the MoD/Defence Infrastructure Organisation.

COMPANY STRUCTURE

Annington operates across three business divisions:

Annington Homes manages the core business of renting around 40,000 properties to the MoD along with the refurbishment and sale of homes on the open market;

Annington Rentals owns over 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.

PORTFOLIO BUSINESS REVIEW – ANNINGTON


James Hopkins


James Hopkins, Andrew Chadd

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.

Andrew Chadd

Chief Financial Officer

Andrew joined the Annington board in 2003 before becoming Finance Director Designate in July 2012 and then CFO in October 2012. Andrew joined Nomura's PFG (the predecessor of Terra Firma) as Finance Director, Portfolio Businesses in 1999. In this role, he was involved in a number of Terra Firma's portfolio businesses, including Annington, AWAS, Infinis, RTR and EverPower. Andrew was seconded to EMI in 2007 where he worked on a number of major initiatives, including acting as CFO of EMI Music. Andrew started his career at Unilever before going on to finance roles at First Choice Holidays and Dun & Bradstreet.

Nick Vaughan

Commercial Director

Nick joined the Annington Group in 1998 as Financial Analyst and Programme Manager at Annington Management Ltd before becoming Commercial Director in 2001 and joining the board later that year. Nick joined from The British Land Company plc where he worked on a number of strategic property projects and acquisitions and prior to that Rosehaugh plc where he was Finance Director of a number of group companies.

PORTFOLIO BUSINESS REVIEW – ANNINGTON

Supporting Servicemen and women in recovery

Private Bruce Falkenberg in the HighGround garden, Headley Court (photo courtesy of Charlie Hopkinson)

PORTFOLIO BUSINESS REVIEW – ANNINGTON

This financial year, Annington has supported a number of charities dedicated to assisting members of the Armed Forces recovering from injuries, helping them to move beyond their disabilities and rediscover their appetite for life.

Ripple Pond

Ripple Pond exists to support all family members of Servicemen and women, past and present, injured during their service in the Armed Forces. Across the country, Ripple Pond has set up self-help networking groups which are self-supporting and self-motivating.

"I write to express in the strongest terms my support for Mrs Julia Molony and the work she is doing with Ripple Pond. It would be difficult to overstate the importance of this project." General Sir Richard Shirreff KBC CBE (June 2013).

Annington's donation has helped Ripple Pond spread the word to a wider audience and reach even more families in need of support throughout the UK.

HighGround

The transition from military to civilian life affects each individual in different ways. Many people, even decades after leaving the safety, camaraderie and routine of the Forces, still don't consider themselves to be 'a civilian'.

Forces people are often outdoor people, and HighGround's vision is that those leaving the Services should have the opportunity to gain new outdoor experiences and career skills in a safe, supportive environment. The charity provides Horticultural Therapists based at Headley Court, Surrey to deliver therapeutic programmes for still-serving personnel who are recovering from Service-related health issues. Their work supports the mainstream treatment processes involved with each individual recovery plan. A donation by Annington this year ensured HighGround had the necessary funding to move into its own office space.

Toe In The Water

Based in Gosport, Toe in the Water uses the medium of competitive sailing to re-inspire Service men and women who have sustained traumatic injuries or been injured in training, helping them to move beyond their disability and rediscover their appetite for life. Yacht racing is a physically and mentally challenging sport that provides a unique opportunity for injured Service personnel to compete with, and against, their able-bodied contemporaries.

A donation by Annington enabled the Toe in the Water team to enter the Annual Fastnet Race held in Cowes in 2013, and race against able-bodied teams.

Helping members of the Armed Forces rediscover their appetite for life

L-R: Elizabeth Filkin (Annington Chairman), Guardsman Paddy Gallagher of The Irish Guards & Andrew Chadd

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PORTFOLIO BUSINESS REVIEW – AWAS

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

260

MORE THAN 260 AIRCRAFT ON LEASE

100

OVER 100 CUSTOMERS GLOBALLY

PORTFOLIO BUSINESS REVIEW – AWAS

PORTFOLIO BUSINESS REVIEW – AWAS

During the year, 45 aircraft were added to the fleet, of which 29 were pipeline aircraft and 16 were investment aircraft

YEAR END: 30 NOVEMBER	2012	2013
Revenue	$926m	$1,031m
Costs	($95m)	($100m)
EBITDA	**$831m**	**$931m**
EBIT	$496m[1]	$579m
External Interest Expense	($255m)	($271m)
Operational Profit Before Tax	**$241m[1]**	**$308m**
Capital Expenditure	$2,060m	$2,095m

[1] Post asset impairment

PORTFOLIO BUSINESS REVIEW – AWAS

INVESTMENT RATIONALE

At acquisition in 2006, AWAS owned 154 Airbus and Boeing aircraft, some with attractive long-term leases and many providing strong rental yields. The subsequent 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 2032. 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 over 130 people managing over 260 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 aircraft strategy, the business opportunistically sells off aircraft in order to enhance returns and as part of its planned end-of-life asset strategy.

AWAS has a significant delivery pipeline with Airbus and Boeing for 48 modern, fuel-efficient aircraft. Together with 29 new aircraft delivered in 2013 and 16 other acquisitions from airlines and other lessors, the asset base of the business continues to grow and strengthen. 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 $15 million 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 repositioned 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.

During 2013, AWAS lowered its cost of debt through refinancing two term loans. AWAS's Finance team was recognised as Leasing Treasury Team of the Year by Airfinance Journal, reflecting its achievements in sourcing and structuring the business's debt financing requirements.

PORTFOLIO BUSINESS REVIEW – AWAS

CURRENT FINANCIALS

AWAS continues to perform well and is ahead of 2012 across all its key financial metrics. Revenue of $1,031 million was 11 per cent ahead of the previous year. Costs were broadly in line with 2012, but slightly below expectations due to tight control of overheads and a better than anticipated credit performance. This resulted in EBITDA of $931 million, which was $100 million ahead of prior year. Maintenance income was higher than expected due to the unplanned release of reserves.

External interest expense, at $271 million, was higher than previous years, but included one-off costs associated with loan repricing activity. Taking these variances into account, the business's operational profit before tax of $308 million was materially ahead of 2012.

Capital expenditure on acquisitions and pre-delivery payments was $2,095 million, which was $35 million higher than in 2012, primarily as a result of early aircraft deliveries.

CURRENT DEVELOPMENT PLAN

The International Air Transport Association remains positive about the passenger market due to the underlying robustness of demand for air travel, despite ongoing high oil prices (relative to historical levels) and lacklustre economic growth. The cargo market, however, is expected to remain weaker.

AWAS has a strong order book of aircraft deliveries up to 2015; as a result of both the contracted Original Equipment Manufacturers order pipeline and acquisitions in the open market. Of the remaining 48 pipeline aircraft, 35 are scheduled to be delivered in 2014. By the end of 2013, AWAS had contracted 33 of the remaining pipeline aircraft.

In 2013, 17 aircraft were sold in order to optimise asset concentration and to manage aircraft approaching the end of their life. In 2014, the portfolio will continue to increase in size and its average age will fall further from its 5.3 years as at the end of November 2013.

PORTFOLIO BUSINESS REVIEW – AWAS

Ray Sisson, Lorenzo Levi

Simon Glass

MANAGEMENT

Dr. Werner G. Seifert

Chairman

Werner was appointed Chairman of AWAS in 2008 and is a member of Terra Firma's specialist advisory group. Prior to joining AWAS, he held positions as CEO of Deutsche Börse AG, General Manager of Swiss Re and Partner of McKinsey & Co, and served on several Boards. Werner holds a PhD in Business and Political Science from the University of Hamburg, Germany. Until 2012, he was Honorary Professor at the European Business School in Reinhartshausen, Germany.

Ray Sisson

Chief Executive Officer

Ray joined AWAS as CEO in 2010. He brought 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 2011. He 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

Chief Investment Officer

Daniel joined the business as Head of Portfolio Management in 2010 and became Chief Investment Officer at the end of 2012. He brought 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.

PORTFOLIO BUSINESS REVIEW – AWAS

One high performance team supports another

Pentathlon Ireland Olympians Natalya Coyle and Arthur Lanigan O'Keeffe training at the new National Training Centre in Abbottstown

PORTFOLIO BUSINESS REVIEW – AWAS

During 2013, AWAS became the official sponsor of the Pentathlon Ireland High Performance Team, the national team competing in a unique event which combines fencing, swimming, horse-jumping, running and target shooting.

The team carries the AWAS logo on its gear at all events and, as part of the business's ongoing support for the development of the High Performance Programme, AWAS has also signed contracts with the elite athletes themselves.

Recent results indicate that the extra support is paying off, with the team putting in medal-winning performances and seeing its world ranking improve. This success is a likely indicator of increased media attention in the build up to the 2016 Olympic Games. It's all helping to build momentum as the athletes prepare for a busy calendar of events on the international stage which includes the upcoming World and European Championships.

Thanks to the AWAS sponsorship, Pentathlon Ireland has been able to focus not just on the performance of its top athletes, but also on the grass roots side and generating increased interest in the sport. The organisation has run a number of initiatives aimed at raising the modern pentathlon's profile and encouraging more people to get involved and discover for themselves what this unique sport can offer.

A little closer to home, Pentathalon Ireland is now working with the AWAS Sports & Social Committee to organise an event at the National Pentathlon Training Centre. This will give AWAS staff the opportunity to get a taste of what the sport is all about by trying out two of the disciplines: fencing and shooting.

Ray Sisson, President & CEO of AWAS, commented, "We are very proud to sponsor the Pentathlon Ireland team. Its commitment to high performance, developing the sports for young athletes and its ability to compete on a world stage are all attributes that we believe position it for great success."

AWAS is proud to sponsor the Pentathlon Ireland High Performance team

The Pentathlon Ireland Development Squad

2

PORTFOLIO BUSINESS REVIEW – CPC

CPC IS THE SECOND LARGEST BEEF PRODUCER IN AUSTRALIA

Consolidated Pastoral Company Pty Ltd

PORTFOLIO BUSINESS REVIEW – CPC

5.6 M

HECTARES
OF LAND

366,000

HEAD OF CATTLE

PORTFOLIO BUSINESS REVIEW – CPC

CPC had a challenging year as Australia experienced one of its hottest and driest years on record

YEAR END: 31 MARCH	YTD DEC 2012	FY 2013	YTD DEC 2013
Revenue	A$46m	A$59m	A$50m
Costs	(A$39m)	(A$50m)	(A$46m)
Cash EBITDA	**A$7m**	A$9m	**A$4m**
Purchase and Non-Cash Livestock Adjustment	(A$1m)	(A$7m)	(A$1m)
EBITDA	**A$6m**	A$2m	**A$2m**
External Interest Expense	(A$13m)	(A$17m)	(A$12m)
Capital Expenditure	A$5m	A$6m	A$5m

PORTFOLIO BUSINESS REVIEW – CPC

INVESTMENT RATIONALE

At acquisition in 2009, CPC had nearly 280,000 head of cattle, making it the second largest Australian beef producer. The acquisition was driven by global macroeconomic themes, with the demand for protein being driven by an increasing population and changing diets in developing economies. In addition, 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 a unique opportunity to acquire assets with attractive fundamental attributes and to assemble a robust management team to reposition the business into a well-capitalised, commercially-focused organisation.

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. Terra Firma undertook a major strategic review in 2012, and the resulting plan is focused on repositioning the business from being a farm gate producer to a market-focused supplier.

STRENGTHENING MANAGEMENT

The existing team, which had detailed knowledge of the herd and the properties, was supplemented by a number of new senior hires including a new Chairman, CEO, CFO and COO.

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.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Risk is being reduced 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. The latter is being further supported through partnerships and further involvement along the supply chain.

PORTFOLIO BUSINESS REVIEW – CPC

CURRENT FINANCIALS

CPC's performance was impacted by very challenging weather conditions in 2013; Australia experienced one of its hottest and driest years on record, with the result that although year-to-date revenue of A$50 million was higher than last year, it was below expectations, while EBITDA of A$2 million was A$4 million below the prior year. The shortfalls were primarily driven by lower sales volumes and market prices, as well as drought-related costs.

Total sales volumes in the nine months to the end of December were 74,900 head, lower than prior year, as cattle were held back from being sold at low prices. Brandings were also impacted by the extreme heat, which led to an early finish of musters at several stations. However, they remained in line with expectations due to a good start to brandings earlier in the year.

Costs were A$6 million higher than last year due to increased freight and feedlot costs resulting from changing market dynamics and drought-related supplementary costs, as well as repairs to water supplies. Overall, A$4 million has been spent in the year-to-date to mitigate the impact of the drought.

Capital expenditure of A$5 million was focused on projects to protect against drought as well as to enhance CPC's ability to sell animals during the wet season, when prices are historically higher, but properties are more difficult to access.

CURRENT DEVELOPMENT PLAN

CPC is continuing to implement its five-year plan which lays a framework to transition the business from a farm gate producer to a market-focused supplier. The plan will drive commercial alignment across the organisation and is being rolled out along the new work streams.

Over the past year, Australia has suffered severe drought conditions, with CPC's properties receiving only 65 per cent of their average rainfall. One effect was that in those domestic markets closest to some of the worst-affected areas in Queensland, producers were forced into selling cattle early which negatively impacted prices. To help mitigate the impact of drought and weak market conditions, CPC will continue to focus on property and market diversification thereby enabling it to selectively redirect animals across its property portfolio and sell animals as markets improve.

PORTFOLIO BUSINESS REVIEW – CPC

Troy Setter

In late 2013, Indonesia announced the lifting of all restrictions on live exports from Australia, which caused a strengthening of prices for cattle in the more northern properties. We are optimistic that Indonesia will remain a strong market for CPC in 2014 and beyond. CPC continues to expand its customer relationships in China with a view to increasing its sales volumes in this market in 2014.

MANAGEMENT

Troy Setter
Chief Executive Officer
Troy joined in 2014 with responsibility for driving best-in-class operations at CPC. Troy has more than 20 years' experience in agribusiness and most recently served as COO at AACo. Troy previously held management positions at North Australian Cattle Pty Ltd, Killara Feedlot Pty Ltd and Torrens Investments Pte. He began his career at Twynam Agricultural Group.

Elizabeth Walker
Chief Financial Officer
Elizabeth joined CPC as CFO in 2014. Elizabeth has more than 20 years' experience in both listed and private companies across investment banking, property development, construction, and fund management. Prior to joining CPC, Elizabeth was Group CFO and Treasurer for a large privately-owned group with both property and agricultural interests.

PORTFOLIO BUSINESS REVIEW – CPC

A joint effort in Indonesia

100 head of cattle have been distributed to farmers through the cattle breeding programme

PORTFOLIO BUSINESS REVIEW – CPC

First set up in 2000, PT. Juang Jaya Abdi Alam ('PT.JJAA') is CPC's joint venture in North and South Sumatra in Indonesia. Its two feedlots support around 15,000 families through employment or trade in fodder from local farmers to feed its 35,000 cattle. The company has also created or supports a number of CSR initiatives which enable it to make an even wider contribution to the local community.

Providing social aid
Every month, PT.JJAA provides some basic foods to the orphans of the villages of KotaDalam, SukaBanjar and Suak, including rice, sugar, cooking oil and boiled noodles. In the same area, the company provides school scholarship assistance to 32 underprivileged children and supports the local kindergarten. PT.JJAA also provides support to the region's educational facilities and health centre.

Other activity locally has included helping with the cost of repairing the village road, developing an irrigation system, providing a cultural building and buying electricity. Plus, the company has been working with public bodies to create clean water and sanitation facilities, set up drug awareness initiatives and provide a safe place to stay for women and children at risk in the region.

Cattle breeding programme
PT.JJAA has put a cattle breeding programme in place that is helping to engage the community and stakeholders in animal welfare, provide a sustainable income source to low income earners and establish relationships with local government. It gives local farmers the opportunity to look after cows-in-calf and keep the calf to sell or grow, and so far 100 head of cattle have been distributed to 50 farmers. Farmers are also being taught how to fatten their cattle on palm fronds from agricultural waste and produce bio-gas and organic fertilizer.

Reducing environmental impact
Elsewhere, PT.JJAA is supporting projects aiming to reduce environmental impact and increase the efficiency of local natural resource use. Its Pest Extermination Program, for example, has succeeded in reducing the costly damage done by palm weevils by 90 per cent. It has also provided organic fertilizer to a range of green initiatives, benefiting both farmers and local families.

These are just a few examples of the CSR programmes PT.JJAA is backing to make a difference to the local population. Each of them reflects the company's philosophy of taking action and promoting bold ideas to shape a better, more sustainable society.

PT.JJAA's cattle breeding programme is helping to engage the community in animal welfare and provide a sustainable income source to low income earners

Local farmers are given feed processing training through the PT.JJAA-sponsored programme

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

DEUTSCHE ANNINGTON IS THE LARGEST PRIVATE RESIDENTIAL LANDLORD IN GERMANY

DEUTSCHE ANNINGTON

200,000

OWNED AND MANAGED UNITS

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

3x

DEUTSCHE ANNINGTON HAS TRIPLED ITS ASSET BASE

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

In July 2013, the business successfully completed an IPO and commenced trading on the Frankfurt Stock Exchange

YEAR END: 31 DECEMBER	2012	2013
Property Management Income	€1,065m	€1,068m
Property Management Costs	(€628m)	(€625m)
Property Sales Income	€305m	€354m
Property Sales Costs	(€268m)	(€327m)
Adjusted EBITDA	**€474m**	**€470m**
FFO	€170m	€224m
Interest Expense FFO[1]	(€265m)	(€211m)
Overall Vacancy Rate	3.9%	3.5%
Number of Units Sold	4,819	6,720

[1] Net interest expense excluding non-recurring expenses

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

INVESTMENT RATIONALE

German residential real estate is an intrinsically low-risk asset class. The original transaction in 2000 involved residential properties geographically spread across Germany. The portfolio generated a steady and reliable rental stream.

The ten companies which were 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 established a tenant privatisation programme, giving tenants and third parties the opportunity to buy their own homes at affordable prices. Since 2002, almost 60,000 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, Terra Firma's UK residential property company. As the business has grown and evolved, the entire senior management team has been refreshed, bringing ideas from other industries whilst maintaining real estate knowledge.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Deutsche Annington has invested heavily in enhancing the attractiveness of its properties to tenants. In the seven years to 2013, it spent more than €900 million on maintenance and property improvements.

Deutsche Annington also undertook a comprehensive strategic initiative to increase customer satisfaction across its operations and enhance operational efficiencies. After investing more than €100 million, 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 private residential landlord in Germany, with over 200,000 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.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

In August 2006, Deutsche Annington successfully completed the GRAND financing, 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. During the last quarter of 2012, DAIG successfully closed the GRAND notes refinancing transaction. This reduced the refinancing risk whilst benefiting the business through lower financing costs and significantly decreasing restrictions on operations and investments. The transaction was very positively received by the market.

CURRENT FINANCIALS

Deutsche Annington performed strongly in 2013. Despite a smaller number of residential properties as a result of property sales, property management income in 2013 totalled €1,068 million, in line with the prior year figure. This was due to an increase in average unit rents and a reduction in the vacancy rate, which fell from 3.9 per cent to 3.5 per cent. EBITDA within the Rental division rose slightly compared with the previous year to €443 million.

Within Sales, the business continued with its selective sale of residential units, selling 6,720 units in the period. The relatively high volume of sales came from both privatisations (single units) and multi-family and other categories.

The business's primary key performance indicator, Funds from Operations (excluding EBITDA from Sales), increased by €54 million to €224 million. The rise was due to the increase in EBITDA in the Rental division as well as a much improved current interest expense as a result of the business's refinancing measures in 2013.

CURRENT DEVELOPMENT PLAN

Deutsche Annington's investment programme continues to progress to schedule. The business is achieving a considerable increase in the quality of its housing and, at the same time, offering solutions for two urgent societal challenges: making a positive environmental contribution – with all modernisation activities reviewed in co-operation with the German Energy agency – and enabling older citizens to remain in their own homes for as long as possible. Approximately €800 million has been budgeted for these initiatives up until 2018. In addition, the organisation is aiming to continue improving customer satisfaction through both the continued expansion of housing-related services and further substantial investment in its housing stock.

INITIAL PUBLIC OFFERING

In July 2013, the business successfully completed an IPO and commenced trading on the Frankfurt Stock Exchange. In the IPO, the business sold a 16 per cent stake to institutional investors. The IPO enabled the business to pursue its investment grade refinancing strategy and gain access to further debt and equity capital to finance its growth strategy. Subsequently, Deutsche Annington received a BBB investment grade rating from Standard & Poor's.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

Rolf Buch

Klaus Freiberg

MANAGEMENT

Rolf Buch

Chief Executive Officer

Rolf joined Deutsche Annington in early 2013 and took over as CEO in the same year. Prior to that, he was a member of the management board for Bertelsmann Se & Co, where he was responsible for Arvato, the global BPO services provider which operates in over 40 countries.

Robbie Barr

Member of the Management Board

Robbie sat on the Deutsche Annington Management Board and performed the role of Acting CEO until the arrival of Rolf. Robbie then rejoined the Supervisory Board as Deputy Chairman. Robbie is an Operational Managing Director at Terra Firma, having joined the firm in 2009. In addition to his role at Deutsche Annington, he is the Chairman of Odeon & UCI and is a director of Four Seasons Health Care. Prior to joining Terra Firma, Robbie held a number of senior positions at Vodafone Group plc, including the role of Group Financial Controller and regional CFO for Vodafone's businesses outside Western Europe.

Dr. Stefan Kirsten

Chief Financial Officer

Stefan joined the Deutsche Annington Management Board as CFO in 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 2010 and is responsible for Property Management. He joined from Arvato AG 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.

Dr. Wulf Bernotat

Chairman of the Supervisory Board

Wulf is a former CEO of the power and gas company E.ON and joined Deutsche Annington in 2013 as Chairman of the Supervisory Board. Wulf also chairs the Executive and Nomination Committee and holds a number of non-executive roles.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

Improving the outlook for young people

In 2013, all of Deutsche Annington's apprentices were offered positions at the company

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

Deutsche Annington's commitment to supporting young people through a variety of apprenticeships has seen the company chosen as one of the ten best vocational training enterprises in Germany and awarded an 'Ausbildungs-Ass'.

This award is given to businesses that have shown exceptional commitment and dedication to their apprenticeship programme, and recognises creative and sustainable forms of apprenticeships. It is sponsored by the Federal Ministry of Economics and Technology. The awards jury commented, "With its vocational training programme, Deutsche Annington shows considerable commitment to preparing young people for working life. In spite of the company's size, great emphasis is placed on the individual development of each apprentice."

Giving more options

Deutsche Annington offers apprenticeships in areas ranging from office management and administration to IT and HR, all giving the youngsters the kind of vocational training that builds skills and will stand them in good stead for their future careers.

As well as conventional trade apprenticeships, there are also opportunities to study alongside day-to-day work, with all costs covered by Deutsche Annington. The Dual Studies programme has seen apprentices study for degrees in facility management, economics and business informatics while working in related departments at Deutsche Annington. In 2013, 11 apprentices were part of this programme. A further innovation is part-time apprenticeships. This initiative is helping those with young families to combine vocational training with their other responsibilities.

Reflecting Deutsche Annington's diverse customer-base

Deutsche Annington wants the diversity of its customers to be reflected in its workforce, so it has set up a programme to offer apprenticeships to those with a migratory background. The company also allocates 10 per cent of its apprenticeships to tenants or tenants' children as their knowledge of the housing stock and the language and culture of residents is a big advantage to the business.

Supporting sporting talent

As part of the vocational training partnership between Deutsche Annington and the North Rhine-Westphalia's Sports Ministry for young sporting talents, the company has recruited a total of seven top athletes since 2012. Deutsche Annington offers support, including flexible working time models, to help them cope with the triple stress of sport, school and work. The aim is to give them a profession and prospects for the time after competitive sport.

The Dual Studies programme allows apprentices to study for degrees while working in related departments at Deutsche Annington

Five of the recent apprentices at Deutsche Annington

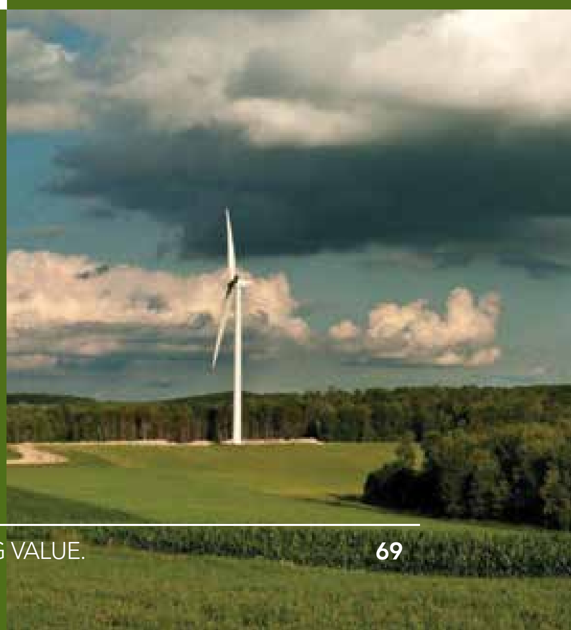
PORTFOLIO BUSINESS REVIEW – EVERPOWER

EVERPOWER IS A BEST-IN-CLASS DEVELOPER, OWNER AND OPERATOR OF UTILITY-SCALE WIND GENERATION ASSETS

everpower

1,279 GWh
GENERATED

512 MW
GENERATING CAPACITY



PORTFOLIO BUSINESS REVIEW – EVERPOWER

PORTFOLIO BUSINESS REVIEW – EVERPOWER

In 2013, EverPower focused on making sure all wind farms were operating at industry-leading levels of availability

YEAR END: 31 DECEMBER	2012	2013
Revenue	$42m	$83m
Grant Income	$5m	$12m
Costs	($29m)	($41m)
EBITDA	**$18m**	**$54m**
External Interest Expense	($15m)	($24m)
Earnings before Depreciation and Taxation	**$3m**	**$30m**
Capital Expenditure	$315m	$2m
Generation	529 GWh	1,279 GWh

PORTFOLIO BUSINESS REVIEW – 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. Terra Firma believes that US policy will continue to support the development of the renewable energy sector over the long term.

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 offered an opportunity to enter the market at a low point in the cycle, bringing a disciplined approach to organic growth and taking advantage of the distressed market for further acquisitions.

CREATING VALUE

TRANSFORMING STRATEGY

Since acquisition, EverPower has been transformed from a development-only business into a growth-oriented, high quality developer, owner and operator of utility-scale wind generation assets.

The commercial side of the business has been positioned to maximise value through a combination of short- and long-term contracts, financial hedges, and merchant trading positions. In this way, the business will be well-positioned to benefit from potential rises in the price of power and renewable energy credits.

STRENGTHENING MANAGEMENT

EverPower today is a fit-for-purpose organisation across all the critical operational functions – development, procurement, construction, maintenance, commercial and finance. This has been achieved by supplementing the original management with selective hires to broaden and deepen the team, and by putting in place an appropriate incentive scheme to ensure alignment.
The company has also been professionalised through the establishment of an appropriate board, governance and organisational structure. New senior level appointments have included a Chairman, Non-Executive Directors and a Commercial Director.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Since the original acquisition, more than $520 million has been invested in the construction of pipeline assets through a low point in the cycle. This has allowed EverPower, through both a targeted procurement programme and well-established relationships with all the major suppliers, to build out the portfolio quickly and at low cost. By the end of 2013, EverPower had built and put in operation five best-in-class wind farms.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Terra Firma has developed extensive relationships throughout the sector with utilities, non-regulated trading entities, banks, advisers and developers – which creates a steady source of deal flow. These relationships have allowed EverPower to accelerate its growth and, at the end of 2013, the company had 512 MW of generating capacity.

PORTFOLIO BUSINESS REVIEW – EVERPOWER

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Through rapidly and efficiently building out the portfolio, EverPower has received Government cash grants on all its projects in lieu of tax equity financing which effectively lowers the cost of capital. Working with Terra Firma and leveraging the team's relationships and expertise, the business has put in place low cost, competitive construction and semi-permanent financings at attractive levels. The team has also successfully led the execution of privately-placed long-term debt and will continue to seek to optimise the balance sheet.

CURRENT FINANCIALS

EverPower performed well in 2013, reflecting the first full year of operation for those projects commissioned in 2012. Full-year revenue of $83 million was almost double that of the previous year and ahead of expectations as a result of both strong production levels and the power prices achieved by the business for its uncontracted generation, particularly in the second half of the year. This, alongside lower than expected development costs and some operating cost savings, resulted in EBITDA of $54 million for 2013, a threefold increase on prior year.

After the completion of the construction programme at the end of 2012, capital expenditure in 2013 was significantly lower and mainly related to post-construction site finishing.

CURRENT DEVELOPMENT PLAN

EverPower continues to selectively evaluate opportunities for further growth. This includes add-on acquisitions, with wind, solar and hydro assets potentially offering scope for value accretion.

Alongside this, the business continues to develop its organic growth pipeline. Commercial solutions are a key focus for its late-stage development projects, whilst moving the longer-term pipeline projects through their various assessment phases will create options for further organic growth.

PORTFOLIO BUSINESS REVIEW – 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.

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

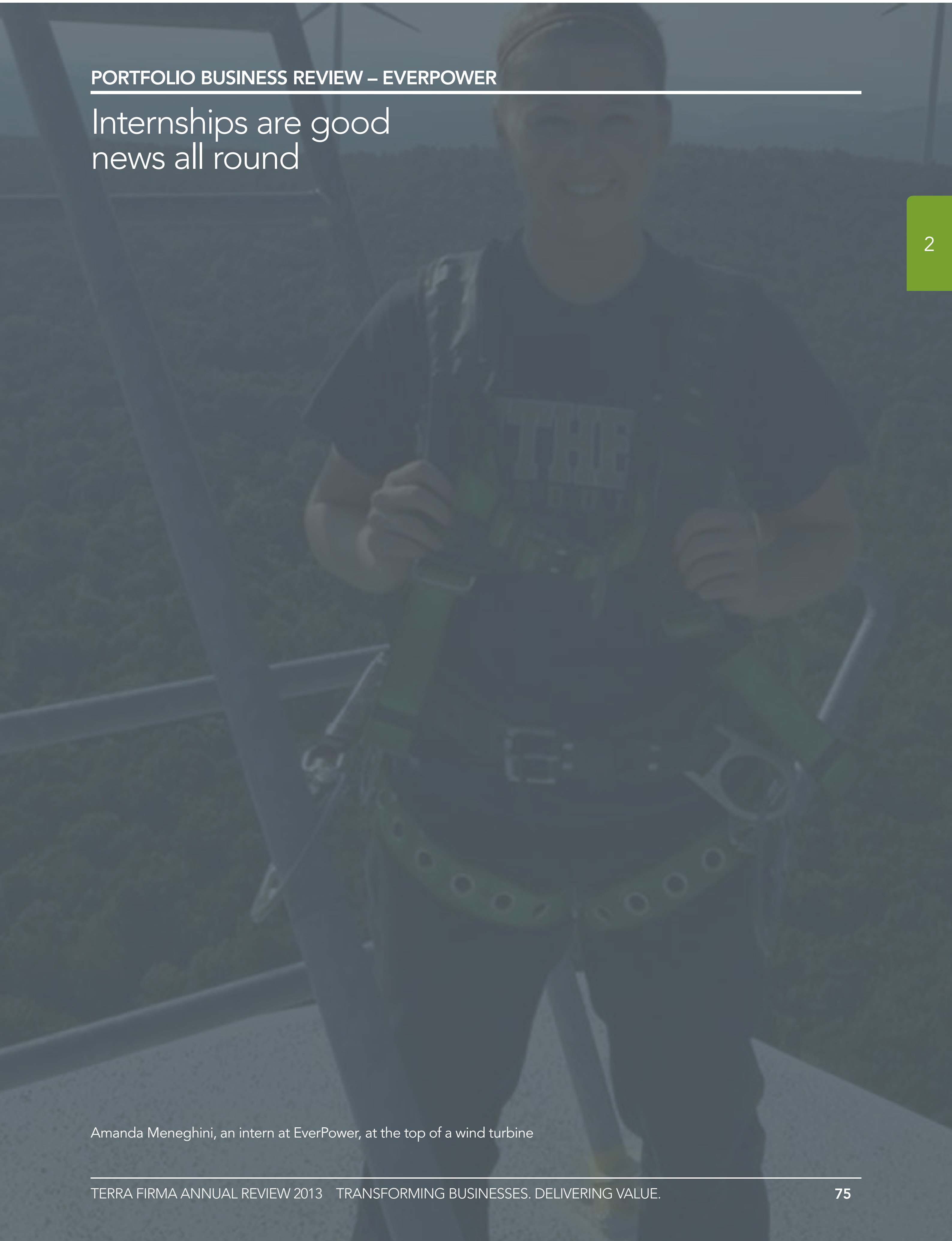
Jim Spencer, Mike Kinski

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 and 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.

Mike Speerschneider
Director of Government Affairs and Permitting
Mike joined EverPower in 2004 with over 10 years of experience in the energy industry. Michael oversees all permitting and government affairs activities for EverPower, with responsibility for working actively with state and federal agencies on both projects and on a broad regulatory level. He is dedicated to improving the overall business environment for the company through the legislative process.

Internships are good news all round



Amanda Meneghini, an intern at EverPower, at the top of a wind turbine

PORTFOLIO BUSINESS REVIEW – EVERPOWER

Increasingly, companies and students alike are recognising the importance of internships. For the student, it is a chance to be exposed to a professional environment so they are better prepared for the career market after graduation. Employers benefit by being able to tap into the latest skill sets and knowledge that students bring from the world of education.

Over the past few years, EverPower has developed a popular programme that has given it access to returning interns on a seasonal basis and opened up recruiting channels at top local universities. It has so far resulted in two full-time hires and numerous significant contributions from the area's brightest students, generating a win-win situation for the interns, the company and the local community.

When hiring interns, EverPower looks for individuals who are able to make an immediate and real contribution to the company's work.

Krystina Teoh came to EverPower in 2011 after receiving her Bachelor of Science in Mechanical Engineering at Carnegie Mellon University. "EverPower couldn't have been a better fit," she says. "It gave me the opportunity to work in an emerging field with a growing company, and be an integral part of its team." Offered a full-time job following her internship, she is now helping to design new wind farms in the company's portfolio, and works closely with the operations team on a variety of projects.

Erik Widner – an electrical engineering graduate from the University of Pittsburgh – wanted an internship and ultimately a job that gave him a chance to work on projects away from a desk. After two summers at EverPower, he was hired as a Wind Field Engineer and now provides much-needed back-up and support in EverPower's network of Pennsylvania projects.

Jacob Gardner worked as a technician at EverPower's Howard Wind Farm in New York in the summer of 2013. His internship culminated with him making a valuable contribution to EverPower's relationship with the Howard community, specifically its involvement in Howard's Community Day event. Since graduating from the programme, Jacob has accepted a position elsewhere in the industry, but he will return to the local community this summer and represent EverPower at Howard's Community Day event.

This summer, EverPower welcomed 11 more interns into diverse fields including IT, finance, public relations, geographic information systems and real estate. These new additions to the EverPower team are set to make a lasting impact on the business and also on their prospects in the industry, wherever their careers take them.

EverPower trains interns drawn from the local student population, giving them experience across the renewable energy value chain

The Howard community visits the local EverPower wind farm

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

FOUR SEASONS HEALTH CARE IS THE UK'S LEADING ELDERLY CARE PROVIDER

FOUR SEASONS
HEALTH CARE

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

30,000
STAFF

20,000
RESIDENTS

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

Four Seasons' award-winning PEARL dementia care service will be rolled out to approximately 150 care homes

YEAR END: 31 DECEMBER	2012	2013
Revenue (excluding rental income)	£708m	£733m
Costs	(£611m)	(£635m)
EBITDA	**£97m**	**£98m**
External Interest Expense	(£73m)	(£55m)
Capital Expenditure	£43m	£33m

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

INVESTMENT RATIONALE

Four Seasons is the largest independent provider in the £15.2 billion care market. The group ranks among the highest-rated providers for quality of care. It leads the sector in the development of specialist services for residents with higher dependency needs such as nursing care for the frail and elderly, respite care and an award-winning specialist dementia service. Four Seasons represented a strong opportunity to acquire a stalled, ex-growth business which has a strong position within a changing industry.

Four Seasons has a strong asset base, owning around 60 per cent of the facilities it operates, limiting its exposure to rental costs. Prior to the acquisition by Terra Firma in 2012, Four Seasons suffered a prolonged period of financial uncertainty which limited investment in the business. A restructured balance sheet has allowed Four Seasons to begin to build on its leading sector position, developing quality and specialisms in order to achieve long-term sustainable growth.

CREATING VALUE

TRANSFORMING STRATEGY

Upon acquisition, Terra Firma undertook a detailed and comprehensive review of Four Seasons. The resulting strategy was to restructure the organisation into three distinct businesses which offer exposure to significant growth sectors within the industry, namely dementia, private, and specialist care:

'Commissioned Services' is the largest of the three and focuses on dementia care; 'Private Care', provides private residential and nursing care; and The Huntercombe Group ('THG'), offers specialist mental healthcare.

Terra Firma has also taken steps to better leverage the business's scale, undertaking a number of initiatives in agency work, facilities management, pharmacy services and food supply. To date, this has delivered approximately £10 million of run-rate savings.

STRENGTHENING MANAGEMENT

In segmenting the organisation, Terra Firma has installed new CEOs in each of the three businesses, ensuring each has the leadership necessary to drive further growth. Management has also been strengthened at a central level, with senior appointments in both HR and Procurement, and a new Chairman, who was appointed shortly after acquisition.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Four Seasons is undertaking a capital expenditure programme of over £40 million to both refurbish the majority of homes in the private estate and further develop the dementia proposition within Commissioned Services, with a view to delivering both higher occupancy and improved margins.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The elderly care market is highly fragmented; Four Seasons is the market leader with only a 5 per cent market share. Since acquisition, the team has completed a number of accretive add-ons. Most significantly, in 2013 Four Seasons acquired Avery: a high quality portfolio which added 17 homes to the business and has, in particular, brought further scale to the Private Care business.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

At acquisition, the business issued two high yield bonds to put in place a secure capital structure, de-risking the business and lowering the cost of capital.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

CURRENT FINANCIALS

Four Seasons performed well in the first three quarters of 2013; however, financial performance in the last quarter was weaker as a result of the drive to exceed regulatory standards which resulted in increased staffing levels. Revenue for 2013 was slightly above expectations at £733 million and 3.5 per cent higher than last year, with group occupancy rates averaging 87 per cent for the year. Benefit was gained from strong average weekly fees achieved in THG whilst average weekly fees for Commissioned Services and Private Care were broadly in line with expectations.

Costs in 2013 were £635 million, higher than expected due to increased staffing costs and one-off costs related to the reorganisation of the business. This led to EBITDA of £98 million for the year, which was marginally ahead of last year, excluding adjustment for acquisitions.

CURRENT DEVELOPMENT PLAN

Four Seasons finished 2013 by successfully reorganising into three distinct businesses, the key element of the new strategy which was finalised earlier in the year.

The development plan for Commissioned Services is to enable a much greater proportion of current care homes to offer dementia care in addition to nursing, residential and respite care. Alongside this, Four Seasons' award winning PEARL dementia care service will be rolled out to approximately 150 care homes (this will require significant capital expenditure in 2014 and 2015). As a result of this strategy, people with a primary diagnosis of dementia are expected to make up the majority of residents by 2017.

The Private Care business is finalising its niche proposition and new branding aimed at attracting a higher proportion of private-pay residents than the market as a whole, thereby becoming a leading player in the private care market. To supplement organic growth and capital expenditure, acquisitions are being considered, with 17 homes acquired in 2013.

THG will continue its focus on delivering higher-acuity care services.

The businesses will continue to share corporate and back-office services and will retain their common capital structure. Each business now has its own leadership team to ensure that there is sufficient focus on development and on meeting the requirements of their respective customer groups. Tim Hammond has been appointed as CEO of Commissioned Services, Jeremy Richardson has joined as CEO of Private Care, and Valerie Michie is the new CEO of THG.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

MANAGEMENT

Ian Smith

Chairman and Interim Group CEO

Ian was appointed Chairman of Four Seasons in 2012. Prior to this, Ian held a number of senior positions including CEO of Reed Elsevier and Taylor Woodrow. From 2004 to 2006, Ian was CEO of General Healthcare Group, a private hospital company. He has served on the Parliamentary Review of the Royal Mail (the 'Hooper Review') and he completed a Parliamentary Review on Civil Service relocation and regional strategy (the 'Smith Review'). Ian worked with the 'Quartet' on the Israeli/Palestinian peace process for two years to 2012.

Tim Hammond

Chief Executive Officer – Commissioned Services

Tim was appointed CEO of Commissioned Services in January 2014. Tim most recently served as CEO of Elior UK, a contract caterer which operates over 600 restaurants. Previously, he was a Managing Director of Barchester Healthcare, and he has also held senior positions at Unilever, McKinsey & Co and Whitbread. His background is in the consumer and healthcare sectors.

Valerie Michie

Chief Executive Officer – THG

Valerie was appointed CEO of THG, the specialist mental healthcare business of the organisation, in April 2014. Valerie most recently served as the Managing Director of Serco Health, and previously held senior management positions at Serco Integrated Services, Alfred McAlpine Business Services and KPMG consulting.

Ben Taberner, Lorcan Woods

Jeremy Richardson

Chief Executive Officer – Private Care

Jeremy was appointed CEO of Private Care in May 2014. He was most recently Executive Chairman of Menzies Hotels, and was responsible for the sale of this business in November 2013. He previously set up Kew Green Hotels. Prior to this, Jeremy was a consultant at Bain & Company.

Ben Taberner

Chief Financial Officer

Ben was appointed CFO in 2010. He joined Four Seasons in 2003 as Group Financial Accountant with responsibility for the group's debt and corporate restructuring as well as statutory and investor reporting. Previously, Ben was a senior manager at KPMG in London and Manchester, focusing on the audit of international groups.

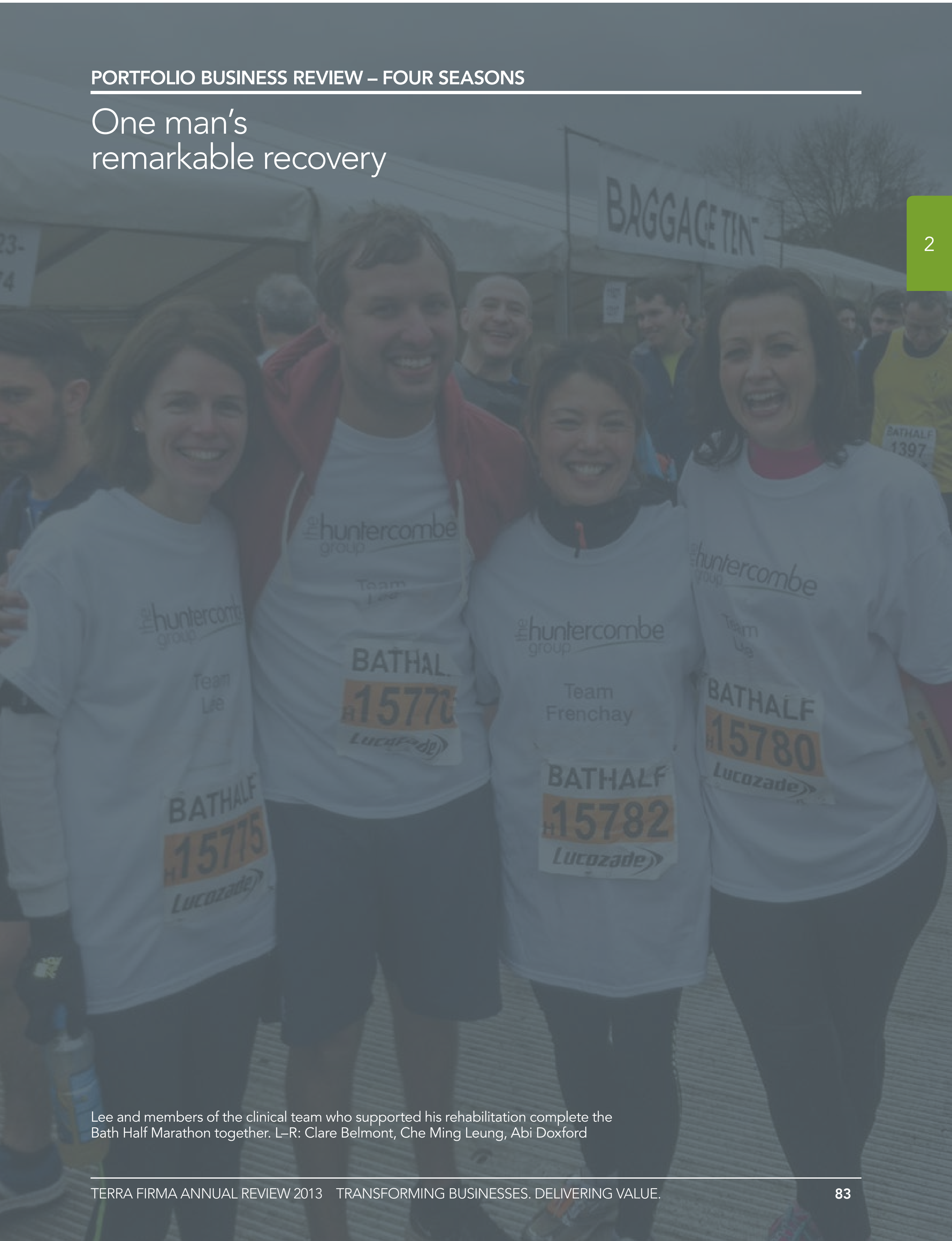
Dominic Kay

Group Commercial Director

Dominic joined Four Seasons in 2005 and has responsibility for legal, property, mergers and acquisitions, and developments for the group. He has previously held various directorships in the aviation, travel, leisure and insurance sectors.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

One man's remarkable recovery



Lee and members of the clinical team who supported his rehabilitation complete the Bath Half Marathon together. L–R: Clare Belmont, Che Ming Leung, Abi Doxford

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS

Lee Audis was 23 and playing professional rugby with Doncaster Knights when a road traffic accident left him with life threatening brain injuries. He was in intensive care at Leeds General Infirmary and unconscious for 12 days, unable to breathe without assistance.

That he is able to live an active life again is the story of a remarkable recovery that was supported by a multi-disciplinary team of clinicians at the Huntercombe Group's Frenchay Brain Injury Rehabilitation Centre, the unwavering support of his family and Lee's own determination.

Lee was transferred to Frenchay after two months in hospital. When he arrived in January 2012, he was in a minimally conscious state. He could not control voluntary movements, was prone to involuntary muscle spasm and some of his muscles had contracted. He was unable to communicate or follow movement with his eyes. He received nutrition and hydration via a naso-gastric tube. Lee recalls: "It was like being born again. I had to re-learn everything."

Dr Angus Graham, Consultant in Rehabilitation Medicine, helped to manage Lee's muscle spasms and pain through medication, so enabling him to be assisted in learning to take control of his body.

Che Ming Leung, Speech and Language Therapist, encouraged Lee initially to drink through a straw, progressing to a normal diet within a month. She worked with him to improve eye contact and voice control and to regain his language functionality that had been impaired in understanding, expression, reading and spelling.

Once Lee's spasticity was under better control through medication, Clare Belmont, Lead Physiotherapist, worked on exercises to improve his ability to control the movement of his body and limbs. Seven months of hard work, in which Lee demonstrated his absolute commitment, took him from being unable to sit in a wheelchair unless he was strapped in for support, to the emotional day when he walked again. As he gained better control of his movements, Abi Doxford, Occupational Therapist, began to work on his co-ordination and re-learning of everyday activities such as making a cup of tea and being able to wash and dress without help.

Alana Tooze, Psychologist, worked with Lee to devise strategies to help him achieve goals; finding ways to use strengths to compensate for weaknesses and encouraging him to focus on what he could potentially get back, rather than what he had lost.

Testimony to Lee's remarkable journey is that today he is coaching rugby and earlier this year completed the Bath Half Marathon, along with members of the clinical team. He donated his sponsorship money to buy equipment to benefit other patients at the Frenchay Brain Injury Rehabilitation Centre.

"It was like being born again. I had to re-learn everything"

The Huntercombe Group's Frenchay Brain Injury Rehabilitation Centre

PORTFOLIO BUSINESS REVIEW – INFINIS

INFINIS IS THE UK'S LARGEST INDEPENDENT RENEWABLE ENERGY GENERATOR

infinis

610MW

INSTALLED CAPACITY

PORTFOLIO BUSINESS REVIEW – INFINIS

147

POWER PLANTS

PORTFOLIO BUSINESS REVIEW – INFINIS

Infinis won Project Finance's 'European Onshore Wind Deal of the Year, 2013' award for its £330 million onshore wind portfolio refinancing

YEAR END: 31 MARCH	2013	2014
Revenue	£226m	£242m
EBITDA[1]	£125m	£148m
Landfill gas (MW)	330	319
Onshore wind (MW)	267	274
Hydro (MW)	17	17

[1]EBITDA before exceptional operating items

PORTFOLIO BUSINESS REVIEW – INFINIS

INVESTMENT RATIONALE

In 2003, Terra Firma acquired the Waste Recycling Group ('WRG'), which was one of the leading waste management companies and the leading waste disposal operator in the UK. In 2004, the UK 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 landfill gas 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. This landfill gas business had been undermanaged, with its generating capacity underdeveloped and most capacity outsourced to third parties, thereby giving away further value.

CREATING VALUE

TRANSFORMING STRATEGY

In 2006, the landfill gas division was demerged from WRG to create a standalone business, Infinis, which retained the rights to the landfill gas produced from WRG's landfill sites and used it as fuel to produce renewable energy for the UK electricity grid. Since then, Infinis has expanded its landfill gas portfolio and overhauled its site operations with the establishment of leading in-house operational and maintenance capabilities.

Through acquisitions and organic development, the business has grown to become the largest independent renewable power generator in the UK, with 610 MW of installed capacity, and has added onshore wind and hydro generation to its portfolio. It continues to expand through the development of these technologies.

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

STRENGTHENING MANAGEMENT

Terra Firma set up a separate 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 landfill gas generating capacity from 57 MW in 2003 to 319 MW in FY 2014. It has also developed a significant onshore wind business, diversifying away from the original landfill gas focus. The business now owns and operates a portfolio of onshore wind and hydro projects across the UK with a total installed capacity of 274 MW and 17 MW respectively, and continues to develop projects from an organic onshore wind development pipeline with up to 150 MW due for completion by 2017. Infinis has established one of the industry's most advanced control and remote monitoring centres, allowing the company to track the environmental and operational performance of its generating capacity across the UK on a real-time 24/7 basis.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The company has undertaken a constant flow of merger and acquisition activity, selectively expanding and enhancing its portfolio of operational and development assets. Acquisitions have ranged from small opportunistic transactions to relatively large strategic deals that involved taking private publicly-listed peers. Infinis' acquisition of Novera Energy in 2009 added 148 MW of installed capacity made up primarily of onshore wind and landfill gas with a small hydro asset base, and increased its organic wind development pipeline.

PORTFOLIO BUSINESS REVIEW – INFINIS

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The diversification of its power portfolio, increase in scale and the geographic spread of its assets has reduced the operational risk of the business. In December 2009, Infinis completed a refinancing, providing the business with £275 million of proceeds from a five-year bond backed by the landfill gas assets. In February 2013, this bond was itself refinanced with a £350 million six-year bond with lower interest charges. In conjunction with these transactions, Moody's upgraded Infinis's credit rating to Ba3 in February 2013 and later, in June, Fitch Ratings issued a new rating of BB-. In October 2013, Infinis refinanced its entire operational wind portfolio with a secured term loan facility of £296 million and ancillary facilities of £34 million, reducing the cost of debt by over 200 basis points. The transaction received the 'European Onshore Wind Deal of the Year, 2013' from the Project Finance Magazine.

INITIAL PUBLIC OFFERING

On 20 November 2013, Infinis Energy plc successfully completed its IPO and its shares commenced unconditional trading on the Main Market of the London Stock Exchange. Terra Firma sold a 30 per cent stake to institutional and retail investors. Terra Firma continues to retain a 69 per cent interest in the business. The remaining 1 per cent is held by directors, management and employees of Infinis. At IPO, the Infinis equity was valued at £780 million, implying an enterprise value for the business of close to £1.4 billion. In March 2014, Infinis became a constituent of the FTSE 250 index.

CURRENT FINANCIALS

In the year to March 2014, Infinis delivered strong results. Revenue increased by over 7 per cent on the previous year to £242 million. Operating expenses were £10 million lower than in FY 2013 due to cost rationalisation pre-IPO, with landfill gas overheads being reduced and continued improvement in working capital management lowering bad debt charges. This helped EBITDA, excluding exceptionals, grow by more than 18 per cent to £148 million.

Capital expenditure was lower than in the previous year as, whilst pre-development work on potential projects continued, only one wind farm was built in FY 2014, whereas five wind farms were built and commissioned in FY 2013. Onshore wind generated 727 GWh, 228 GWh more than last year due to the contribution of these five new wind farms, two wind farms which were acquired in the same year, the commissioning of the Tedder Hill wind farm in September 2013 and strong wind speeds across the UK.

Availability of hydro improved significantly as a result of capital expenditure and more preventative maintenance being deployed. Landfill gas capacity reduced year-on-year by 11 MW as a result of 'right sizing' engine capacity in line with the projected natural decline in gas output across the sites. The reduction in engine size allows the sites to be run more cost efficiently.

CURRENT DEVELOPMENT PLAN

Infinis announced its intention to deliver 130–150 MW from the organic onshore wind development pipeline by 2017. This target is underpinned by its two larger consented projects, A'Chruach (43MW) and Galawhistle (55 MW), and a number of other projects currently in the consenting phase.

Within the landflll gas division, Infinis continues to lock in power prices through forward contracts in line with its hedging strategy. The onshore wind and hydro businesses continue to operate under long term power purchase agreements, with power prices set predominantly at fixed discounts on a day-ahead basis for onshore wind and fixed prices for hydro.

PORTFOLIO BUSINESS REVIEW – INFINIS

MANAGEMENT

Post IPO, two Terra Firma employees took seats as Shareholder Representatives on the Board: Mike Kinski, previously Chairman of Infinis, and Radu Gruescu, previously a Non-Executive Director.

Eric Machiels
Chief Executive Officer
Eric was appointed permanent CEO of Infinis in 2010, having been the acting CEO and a member of the Infinis Board since 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 portfolio companies of Clayton Dubilier & Rice, a US private equity firm and worked as an Investment Director at UBS Capital.

Gordon Boyd
Chief Financial Officer
Gordon joined Infinis as CFO in 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.

Stewart Gibbins
Operations Director
Stewart joined WRG as Operations Director in 2005, moving to Infinis in 2006. Stewart has over 15 years of senior management experience in power generation including managing a fleet of 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.

Steven Hardman
Commercial Director
Steven joined Infinis in 2008 to lead its commercial and legal activities. In early 2009,

Mike Kinski, Eric Machiels

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. 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 Infinis in 2010, having held the position of Head of Human Resources since 2006. Following a period in a senior HR role with 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. Paul is a member of the Chartered Institute of Personnel & Development.

Simon Heyes
Wind Development & Construction Director
Simon joined Infinis as Head of Wind Development in 2010, with responsibility for overseeing the wind development pipeline and the construction of new onshore wind farms. Simon had previously spent 13 years with Scottish and Southern Energy plc, culminating with the position of General Manager for SSE Renewables in Great Britain.

PORTFOLIO BUSINESS REVIEW – INFINIS

Thinking ahead in a sustainable way

Daniel Tilburn and other trainees during a planning session

PORTFOLIO BUSINESS REVIEW – INFINIS

Infinis is a business founded on sustainable principles and it applies this approach to developing its people as much as its technology. This year, the company has again demonstrated its commitment to helping more members of the Infinis team improve their skills and, in the process, their long-term prospects. It is a significant investment that will also pay dividends for the business.

Trainees and apprentices

In the last three years, ten Infinis trainees and apprentices have completed structured training schemes across a range of functions including landfill gas operations, logistics, mechanical/electrical engineering, and control and instrumentation.

Daniel Tilburn recently completed his mechanical engineering apprenticeship and is now in his probationary year on the way to qualifying as an Overhauls Technician.

"With no work experience when I joined as a 17-year old," says Daniel, "I was a 'blank canvas'. The team around me were great, always willing to spend time explaining how and why we do things in a particular way. I still pick things up now from the experienced techs, and there are new challenges every day – you never stop learning."

And the learning for Daniel continues at college as well, as he has recently started an HNC in Plant and Process Engineering to supplement the ONC Mechanical Maintenance that he completed as part of his apprenticeship.

The Lancaster Centre of Excellence

Another area of development in action – in terms of both people and technology – is the Lancaster Centre of Excellence. Since it opened its doors at the end of 2011, the Centre's workshop has provided development programmes (from complex engine maintenance to basic IT training) for over 300 people and carried out major services on over 100 engines.

The engineering and training team – which boasts combined experience of more than 250 years in the landfill gas industry – is also committed to the Kaizen continuous improvement ethos. This year, that focus has resulted in several initiatives that have led to significant cost reductions and process improvements.

Everywhere you look at Infinis, ideas and resources are being invested to deliver one thing – sustainability. From the way it produces energy to the development it offers its people, this is a business that is always thinking about the future and how it can be ready to make the most of every opportunity.

Infinis encourages trainees' personal development as well as on-the-job training

Daniel Tilburn with other trainees during an outdoor training event in the Elan Valley, Wales

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PORTFOLIO BUSINESS REVIEW – ODEON & UCI

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

32

NEW CINEMAS OPENED ACROSS EUROPE SINCE 2004

80m

PEOPLE ATTENDED ODEON & UCI CINEMAS IN 2013

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Four new sites were opened in the UK and Italy during the year

YEAR END: 31 DECEMBER	2012	2013
Revenue	£742m	£707m
Costs	(£641m)	(£627m)
EBITDA	**£101m**	**£80m**
Net External Interest Expense	(£63m)	(£63m)
Capital Expenditure	£42m	£30m
Attendance	82m	80m

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

INVESTMENT RATIONALE

Odeon & UCI operates in the leisure industry, providing an affordable entertainment service to its customers. At acquisition, Odeon & UCI owned the freehold of 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. In 2014, a new senior management team was put in place to lead the business through its next phase of transformation.

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 to include pizza, yoghurt and other new products, Costa Coffee franchises, sandwich bars and coffee lounges have been introduced at certain cinemas and the company is now one of the largest franchisees of Ben and Jerry's in the world.

The conversion of all screens to digital projection technology was completed in July, giving the company the most digital auditoria in Europe and making it the largest fully digital cinema operator in the world. Digital screens improve the customer experience, reduce distributor costs and should boost advertising revenue. They also enable the projection of 3D films; 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 32 new cinemas across Europe and 28 major refurbishments since 2004. It has also opened an 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. In total, 100 sites and over 1,000 screens have been added to the company's portfolio through new site openings and acquisitions, making Odeon & UCI the clear market leader and Europe's largest cinema operator. The business continues to monitor further acquisition opportunities, particularly in Continental Europe.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

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 UK properties from the operational business of screening films. This refinancing lowered the business's cost of capital and enabled Terra Firma to return funds to its investors. In May 2011, the company issued bonds to replace its operating company bank finance, enabling it to finance a number of acquisitions and further its growth plans.

CURRENT FINANCIALS

The 2013 film slate was poor and the group sold 80 million tickets in 2013, 2 million lower than in 2012. Trading conditions have been challenging, most notably in Spain where Odeon's attendance was 11 per cent down year-on-year, although attendance in Italy and Ireland grew strongly compared with last year. Weighted average 2013 attendance in Odeon & UCI's markets was 4 per cent lower than 2012, although this has been partially mitigated by an increase in market share. Promotional activity, together with weaker consumer spending and a lower proportion of 3D ticket sales, has seen average ticket price end the year below expectations. Overall, aggregate revenues of £707 million were 5 per cent lower than in 2012.

Cost control has been a major focus throughout the year, resulting in total costs of £627 million being £14 million lower than last year. Overall, full year EBITDA of £80 million was £21 million below the prior year. However, the final quarter of the year was the second strongest in the business's history reflecting a stronger film slate, an improvement in customer yields and operating efficiencies.

CURRENT DEVELOPMENT PLAN

Four new sites were added to the estate in 2013 as well as the acquisition of a formerly-managed UK site and the closure of a Spanish site. The business expects to open two new sites in 2014 and has a pipeline of new sites as it continues to see attractive opportunities to acquire single sites or small groups in various territories. Lower new site investment in 2014 will be offset in other areas, with capital expenditure expected to be slightly higher than in 2013.

Odeon & UCI announced that Paul Donovan would succeed Rupert Gavin as part of a planned management succession. Jonny Mason, CFO, also left during the first quarter of 2014 for personal reasons and Mark Way will join in his place. The business continues to see a good response to its investments in premium seating, screen and retail initiatives, including its proprietary big screen brand `iSens', IMAX, and on the roll-out of Croma Pizza, digital advertising screens, Costa Coffee and Danone yoghurt outlets.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Paul Donovan

MANAGEMENT

Paul Donavan

Chief Executive Officer

Paul joined Odeon in January 2014. He has over twenty five years of experience working at senior level for international consumer goods and technology companies. These include Coca-Cola and Schweppes Beverages, Apple Computers, BT, and Vodafone, where he was a member of the Group Executive Committee. Most recently, Paul was CEO of the Eircom Group, Ireland's leading telecoms operator, where he led a process of successful transformation.

Mark Way

Chief Financial Officer

Mark will join Odeon in 2014. He joins from Hilton Worldwide, where he has held the role of Senior Vice President Group Operations Finance since 2006. At Hilton, he made a number of significant contributions, including spearheading the integration of core business processes and capabilities between Hilton Hotels Corporation and Hilton International.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Working together to help disabled and disadvantaged children

Odeon General Manager, Gareth Jones, presenting a donation of a Draisin Plus Wheelchair Tandem and Harness to 12 year old Erin from Chatham in Kent

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Since 2007, Odeon's employees have raised over £750,000 for its chosen good causes, including the children's charities, the NSPCC and Variety. Reaching this huge landmark has been made possible by the efforts and enthusiasm of the local cinema teams – supported by Odeon's central charity team – and the generosity of guests, suppliers and film distribution partners. It has meant that Odeon has been able to support important programmes that are helping to change the lives of hundreds of disabled and disadvantaged children in the UK and Ireland.

A record-breaking year

In 2013, Odeon's charity team set a challenging target of £200,000, and went on to beat it. Thousands of employees did their bit, organising or taking part in everything from fun-runs, bake-offs, raffles, charity screenings and Ben and Jerry's free cone days through to climbing Ben Nevis.

As a result, Odeon was able to support the NSPCC with its Child Line service for children and young people, and a helpline for adults who are worried about a child.

At Variety, the company's donation was used to buy two Sunshine Coaches, giving even more kids the chance to enjoy a fun day out with the charity. The money also supported many individual causes, including Jagdev Singh Rathaur.

In 2006, 11-year old Jagdev suffered a life-changing illness that meant he became wheelchair-bound and highly dependent on others. He already had a powered wheelchair, but it required the assistance of two carers to get him upright. Odeon's funding enabled Variety to provide him with a Levo chair, which gives him his independence and promotes sit-to-stand movement. He is an impressive young man, who firmly believes that, with the right support and equipment, he will be able to walk again one day.

Variety – the children's charity

Variety helps children and young people throughout the UK who are sick, disabled or disadvantaged. It provides practical help including Sunshine Coaches, wheelchairs and specialist equipment through its grant programmes, as well as creating memorable childhood experiences in its Variety at Work scheme.

The NSPCC

The NSPCC believes that no child should suffer and all should be able to live in a society where they are happy, fulfilled and free from fear. For more than 125 years, it has helped thousands of children in danger or distress to recover from harm.

Thanks to the generosity of Odeon's staff, guests, suppliers and partners, over £200,000 was raised for charity in 2013

Odeon employees and friends formed a team to reach the summit of Ben Nevis and raised an incredible £7,428 for the NSPCC

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PORTFOLIO BUSINESS REVIEW – PHOENIX

PHOENIX OWNS AND OPERATES THE LARGEST GAS CONVEYANCE NETWORK IN NORTHERN IRELAND

PHOENIX ENERGY HOLDINGS

PORTFOLIO BUSINESS REVIEW – PHOENIX

3,000

OVER 3,000 KM OF GAS DISTRIBUTION PIPELINE

170,000

DOMESTIC AND BUSINESS CUSTOMERS CONNECTED

PORTFOLIO BUSINESS REVIEW – PHOENIX

In 2013, Terra Firma completed the sale of Phoenix to Hastings' managed fund Utilities Trust of Australia and The Royal Bank of Scotland Group Pension Fund

PORTFOLIO BUSINESS REVIEW – PHOENIX

INVESTMENT RATIONALE

When Terra Firma acquired East Surrey Holdings ('ESH'), 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 at the time of the acquisition, 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, stability in the underlying distribution price provided them with added security when making the decision to switch to gas. Phoenix has attracted new gas customers and expanded its network by offering its consumers efficient energy services and more appealing appliances.

STRENGTHENING MANAGEMENT

Terra Firma backed a strong independent management team with extensive experience of the NI utility sector. The team was empowered through the spin-out of the business from ESH, and the resolution of regulatory issues allowed them to concentrate on delivering best-in-class operational performance and growing the business.

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 supported a continual programme of capital expenditure which enabled Phoenix to almost double in size, from 82,000 customers at acquisition, to 164,000 at exit in 2013, representing 56 per cent of the potential market in Greater Belfast.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Terra Firma identified Phoenix as a key asset within ESH and divested the other subsidiaries within the group to focus on its development. The team continued to grow and protect the core distribution business with subsequent disposals of the Phoenix transmission division and both its supply businesses, leaving a stable pure-play distribution business.

PORTFOLIO BUSINESS REVIEW – PHOENIX

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, with the resulting proceeds being used to pay down debt. In 2009, Phoenix achieved an investment grade credit rating for the first time which allowed the business to access bond financing. In November, the business completed a refinancing which provided it with eight-year bond financing. In 2011, the business refinanced its working capital and capital expenditure facilities, which extended them by three years to 2014, reflecting the lower debt requirements of the business going forward and reducing the interest margin.

Prior to its sale in August, the business successfully refinanced its bank facilities, resulting in a distribution to investors.

SALE

In August 2013, Terra Firma sold the business to Hastings' managed fund Utilities Trust of Australia and The Royal Bank of Scotland Group Pension Fund.

PORTFOLIO BUSINESS REVIEW – PHOENIX

Peter Dixon, Michael McKinstry

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. Since 2002, he has served in a number of non-executive posts in the private sector. Gerry previously held the post of Permanent Secretary, Department of Economic Development.

Peter Dixon

Group Chief Executive Officer

Peter was appointed to the Phoenix board as CEO in 2000 and joined the ESH 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. Prior to joining Phoenix, Michael gained extensive financial and management experience across a broad range of business sectors, starting in heavy engineering with GEC, then the textiles industry with Ulster Weavers and the energy industry with Premier Power following its purchase by British Gas.

PORTFOLIO BUSINESS REVIEW – PHOENIX

Inspiring the sports stars of the future

Aodhan Gallagher and Liam Bradley (Ulster GAA) pictured with Phoenix Business Development Director, Alastair Pollock, and the Anglo Celt Cup

PORTFOLIO BUSINESS REVIEW – PHOENIX

Phoenix's dedication to corporate responsibility was recognised last year when the company was awarded a Business In The Community 'Big Tick' award for excellence in Corporate Responsibility for the ninth consecutive year – more times than any other UK organisation.

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.

Phoenix's wide-ranging Corporate Responsibility programme is called LIFE (Leadership in the marketplace, Investing in our people, Fostering our community and Environmental responsibility). It was developed to provide a framework for the company's various initiatives aimed at positively impacting the marketplace, workplace, environment and community.

Falling under the 'Fostering our Community' strand of LIFE is one of the stand-out partnerships of the last year, with the Ulster Gaelic Athletics Association ('GAA') Elite Academy.

Phoenix has a long history of working with young people and giving them the support they need to meet their full potential in life. Over the last 12 months, Phoenix has developed a relationship with GAA that has led to the setting up of the Phoenix GAA Elite Academy, which brings together Ulster's most promising young GAA athletes for a two-day residential at the University of Ulster's Jordanstown campus. It recognises and develops the skills and abilities of 90 hand-picked young players who have impressed playing for their club, school or county youth teams in both Gaelic football and hurling.

The Phoenix Academy encourages the young players to look after their health and wellbeing while developing their skills in Gaelic games. Areas such as nutrition and hydration, fitness testing, functional movement analysis, skill development and flexibility are just some of the areas covered in the Academy sessions.

One of the key highlights is the opportunity for the lucky 90 players to be mentored by a high profile player, who has had the experience of coming through an Ulster GAA Elite Programme. Participants include Gaelic footballers Michael Murphy (Donegal), and Peter Harte (Tyrone), and hurler Neil McManus (Antrim).

The Phoenix Academy is continuing this tradition of producing stars for the future, inspiring players from all nine counties in Ulster to achieve their best with their club, school, university and county.

Sport plays a key role in our cultural and family life, so the benefits of the scheme are felt right across the community. Phoenix hopes to continue to strengthen this partnership and provide the opportunity for more aspiring athletes to participate in the Phoenix Academy in the future.

Phoenix has set up the Phoenix Ulster GAA Elite Academy

The launch of the Phoenix partnership with the Ulster GAA Elite Academy

2

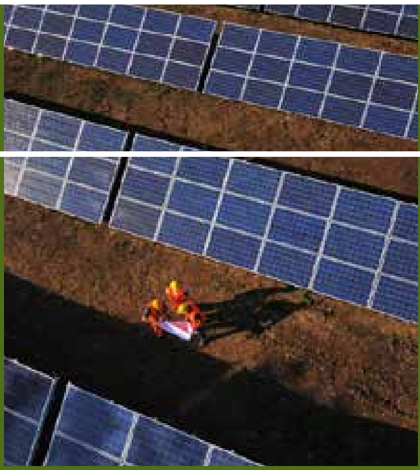
PORTFOLIO BUSINESS REVIEW – RTR

RTR IS THE LARGEST SOLAR ENERGY-GENERATING BUSINESS IN THE EU

RTR
RETE RINNOVABILE

395 GWh
PHOTOVOLTAIC ENERGY IN 2013

PORTFOLIO BUSINESS REVIEW – RTR



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POWER PLANTS ACROSS ITALY

PORTFOLIO BUSINESS REVIEW – RTR

RTR won two awards at the Business Excellence Awards 2013, including Energy & European Solar Power Producer of the Year, whilst Paolo Lugiato, RTR's CEO, was named Italian CEO of the Year

YEAR END: 31 DECEMBER	2012	2013
Revenue	€131m	€148m
Costs	(€15m)	(€27m)
EBITDA	**€116m**	**€121m**
External Interest Expense	(€40m)	(€46m)
Earnings Before Depreciation and Tax	**€76m**	**€75m**
Capital Expenditure	€25m	€9m
Generation	335 GWh	395 GWh

PORTFOLIO BUSINESS REVIEW – RTR

INVESTMENT RATIONALE

RTR owns and operates a portfolio of 117 high-quality power plants situated across the Italian peninsula. By the end of 2013, RTR had the capacity to produce over 400 GWh of electricity per year, enough for more than 150,000 households.

Around four-fifths of RTR's revenues are fixed under a 20-year feed-in tariff set by the Italian Government. 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

From a group of orphaned assets, 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

RTR has made a significant investment in improving the effectiveness of its infrastructure. In 2012, it installed an improved remote monitoring system and central control room to improve information and further optimise its operations. In 2013, the business invested in a number of initiatives to improve the operating efficiency of its solar plants, including panel tilt adjustments, wiring changes, surface analysis (to identify hotspots) and trials of dirt repellent sprays.

BUILDING THROUGH MERGERS AND ACQUISITIONS

In the period since the initial acquisition, RTR has targeted the optimisation and enlargement of its asset base and installed capacity has been increased from just over 140 MW to nearly 300 MW through four add-on acquisitions. In 2011, two acquisitions were completed: the purchase of 19 MW and 78 MW portfolios of solar photovoltaic ('PV') assets. In 2012, RTR completed two further acquisitions: adding a total of 57 MW of generating capacity. Through its relationship with Terra Firma, RTR has established itself as a key player in the consolidation process of the Italian PV sector.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Operating risk has been reduced through developing high quality in-house maintenance teams and an 18-year contract with Terna, the Italian national grid operator, for the maintenance of the existing PV installations, including guarantees on equipment and production capacity.

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

PORTFOLIO BUSINESS REVIEW – RTR

CURRENT FINANCIALS

Full-year production of 395 GWh was slightly below expectations, chiefly as a result of unusually poor weather and consequently low irradiation throughout March, May and October. However, RTR's plants continued to perform ahead of expectations in both panel efficiency and availability; key operational drivers which served to somewhat offset the reduced irradiation.

Revenue of €148 million was a result of both lower generation and lower average energy sales prices achieved during the year. The fixed feed-in tariff regime provides approximately 80 per cent of revenue, reducing the impact of volatility in power prices to 20 per cent of revenue, mitigating the effect of market price volatility. Operating and administrative costs were €27 million for the year, materially higher than in 2012 as a result of the costs associated with the larger asset base, the transition of site operations and maintenance ('O&M') service costs to being a paid-for service and increased municipal taxation.

Overall, EBITDA was €121 million which was €5 million higher than prior year, as full-year benefits of last year's acquisitions outweighed the impacts of the poor weather and lower power prices seen during 2013. Capital expenditure in 2012 reflected the finalising of plant construction activities, with 2013 focusing on incremental improvements, such as investment in a remote monitoring system.

CURRENT DEVELOPMENT PLAN

RTR has long-term service agreements with third parties (including Terna) for the provision of O&M and security services, covering the majority of its portfolio. During 2013, the business complemented those contracts by building a small internal team to carry out in-house operational maintenance on a portion of its remaining sites. Moving into 2014, the team will gain experience that can be leveraged across the entire portfolio.

PORTFOLIO BUSINESS REVIEW – RTR

Paolo Lugiato, Lorenzo Levi

Enrico Del Prete, Paolo Lugiato, Stefan Thiele

MANAGEMENT

Paolo Lugiato

Chief Executive Officer

Paolo was appointed CEO in 2011. Prior to joining, he was CEO of Novapower (Merloni Group), an Italian greenfield investor in renewable energy. 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, industrial and financial sectors.

Armando Tarquini

Chief Financial Officer

Armando was appointed CFO in 2012. Before RTR, he served as CFO and member of the Board of Directors in Q-Cells, a leading manufacturer of PV modules and cells. Previously, Armando held senior positions in different European companies such as Arthur Andersen, BASF group and, from 1999, he focused on renewable energy projects with Texas Utilities Europe and ICQ group.

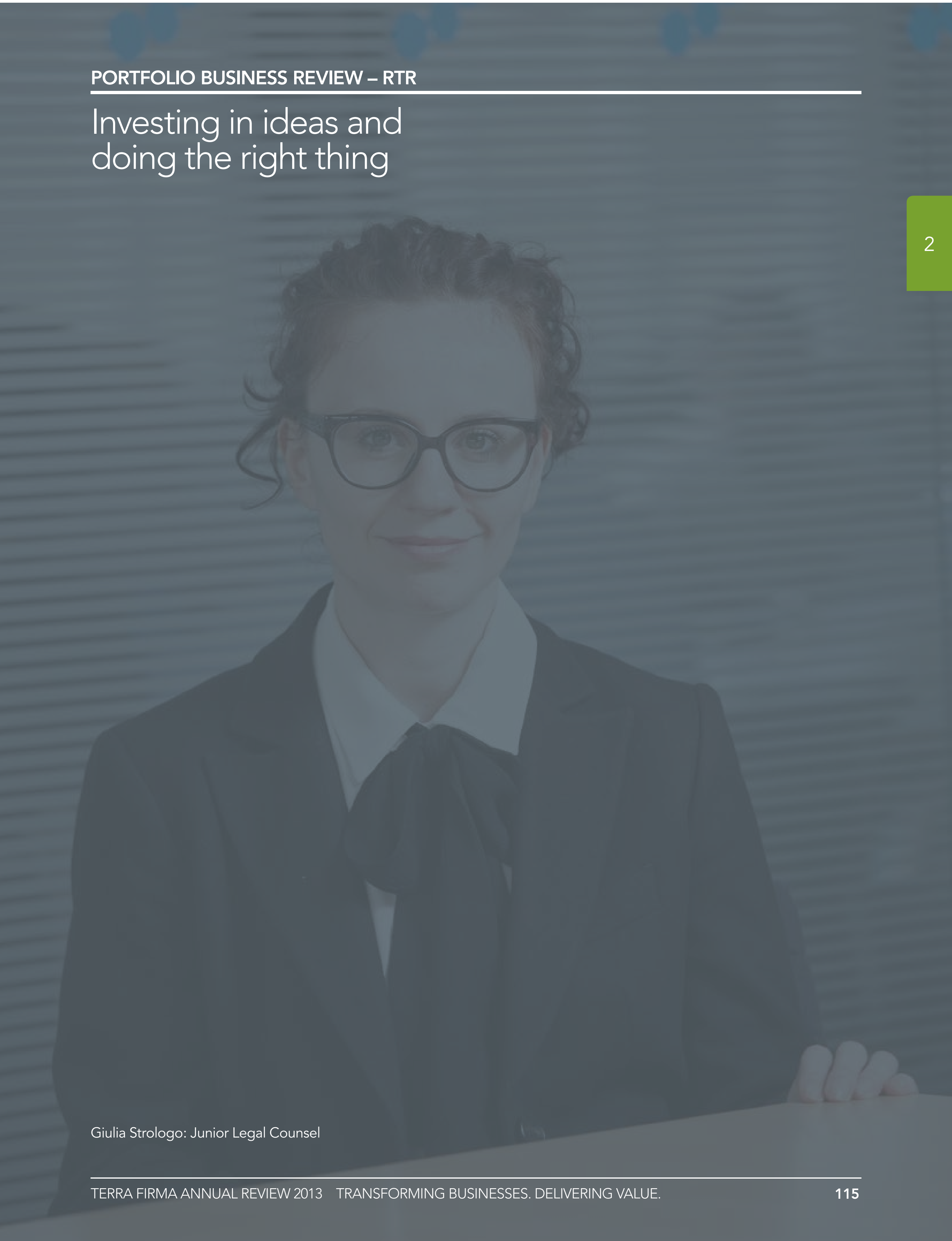
Patrick Monino

Chief Operating Officer

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

PORTFOLIO BUSINESS REVIEW – RTR

Investing in ideas and doing the right thing



Giulia Strologo: Junior Legal Counsel

PORTFOLIO BUSINESS REVIEW – RTR

RTR is a business that is known for developing innovative technology, yet it also understands that this reputation is founded on its ability to attract and develop innovative people.

The company has always been committed to investing heavily in its team. From those starting out on their careers through to engineers who have been working for a number of years and are looking to develop next-generation skills.

For the graduates competing in today's tough jobs market, RTR is a rare chance to make their mark in an ambitious, growing business. The company is giving graduates professional roles in the company, empowering them and offering the chance to learn quickly and make a real contribution.

Dario de Francesco has seen that commitment first hand, starting out as a maintenance technician and working his way up within three years to the role of Regional Manager for South Italy.

"I think RTR is an example for other companies," he says. "It gives young people a chance if they're prepared to give their all and it rewards them for their efforts. Even though I had a degree in engineering, I got my hands dirty, covering a lot of miles and doing whatever was needed, like emptying rainwater from station tanks. It's all experience that's helped me as I've progressed into a management role – understanding the demands on your team and setting a good example are key."

The right talent and the ideas it brings are clearly driving RTR's success, but the company is also proud of the foundation of ethics which underpin everything it does. Its Code of Ethics goes beyond what is required of the company and sets out the rights and duties that apply to all those who work for and with RTR. It governs the way the business operates, ensuring that it is doing so with fairness, transparency, impartiality and honesty.

To make sure all staff are aware of their responsibilities under the Code, RTR holds regular training courses. The courses are well-received and the results are being felt across the business. According to Giulia Strologo of the Legal Department, "What makes us different is the active involvement of the management and entire staff in understanding and sharing the principles set out in the Code of Ethics. There is a real commitment to making sure they are applied in everything the business does."

RTR offers graduates the opportunity to learn quickly and add value to the business

Dario de Francesco: Regional Manager

2

PORTFOLIO BUSINESS REVIEW – TANK & RAST

TANK & RAST HAS A LEADING POSITION ON EUROPE'S BUSIEST MOTORWAY NETWORK, THE GERMAN AUTOBAHN, SERVING AROUND 500 MILLION VISITORS EVERY YEAR

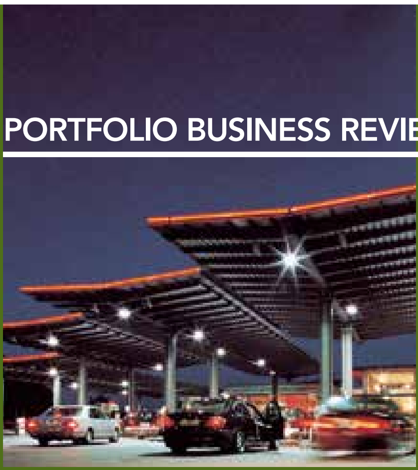
TANK & RAST

350

FILLING STATIONS

390

SERVICE AREAS



PORTFOLIO BUSINESS REVIEW – TANK & RAST

PORTFOLIO BUSINESS REVIEW – TANK & RAST

During 2013, one of Tank & Rast's key operational focuses was to prepare the network for the new fuel distribution arrangements

YEAR END: 31 DECEMBER	2012	2013
Revenue	€305m	€482m
Costs	(€88m)	(€247m)
EBITDA	**€217m**	**€235m**
External Interest Expense	(€142m)	(€153m)
Capital Expenditure	€37m	€64m

2013 Revenue increase driven by high-revenue, low-margin self-supply initiative

PORTFOLIO BUSINESS REVIEW – TANK & RAST

INVESTMENT RATIONALE

Tank & Rast holds 90 per cent of German motorway concessions for petrol stations, shops, restaurants and hotels. This includes around 390 service areas, 350 filling stations and 50 hotels. 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.

CREATING VALUE

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 introduce new signage on the motorway, something which previously had been banned. It also identified the potential for additional value in its fuel supply arrangements and successfully renegotiated a new tendering system for 30 per cent of its service stations. Tank & Rast now self-supplies 5 per cent of the fuel.

The company has improved its food offering, including a better retail proposition. It introduced the premium Sanifair toilet facilities across its network with great success and which 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 further 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. In particular, a new CFO was hired and the company's historically weak finance function was enhanced.

DEVELOPING THROUGH CAPITAL EXPENDITURE

In 2005, Tank & Rast launched a long-term €500 million investment programme to finance the construction of new sites, the refurbishment of older sites and the introduction of 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. Tank & Rast has introduced an electronic point of sale system to improve tenants' working capital management and logistics processes which is being rolled out across the network. As at the end of 2013, the system has been installed in 227 sites.

BUILDING THROUGH MERGERS AND ACQUISITIONS

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

PORTFOLIO BUSINESS REVIEW – TANK & RAST

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

As a result of the business's strong performance in a challenging economic environment, it has been successfully refinanced on three occasions in the infrastructure markets. The most recent was in December 2013, when Terra Firma completed a further €2.1 billion refinancing well ahead of the maturity of the old structure. This lowered the cost of debt and introduced longer-dated facilities with staggered maturities, mitigating future refinancing risk.

CURRENT FINANCIALS

Tank & Rast's revenue for the full year 2013 was €482 million which was materially ahead of the prior year. The revenue increase was mainly driven by the self-supply initiative, which is a high-revenue and low-margin business model and a strategically important element of the new fuel supply strategy. Network revenues were €6 million ahead of prior year, with strong retail results and ancillary network revenue partly offsetting weaker than expected revenues from the hotel segment. Fuel sales were significantly ahead of the prior year, primarily as a result of high fuel prices in 2012.

The significant increase in costs compared with 2012 is primarily as a result of the self-supply element of the new fuel supply agreement.

EBITDA of €235 million was €19 million higher than last year, mainly as a result of the new fuel distribution scheme, while strong variable lease revenue also had a positive impact. Capital expenditure of €64 million in 2013 was lower than expected as a result of the cautious approach adopted prior to the refinancing and various phased initiatives which will be implemented in 2014.

CURRENT DEVELOPMENT PLAN

During 2013, one of Tank & Rast's key operational focuses was to prepare the network for the new fuel distribution arrangements, which involves taking over responsibility for the fuel pumps and changing the fuel supplier at almost 100 fuel stations. The new arrangement has been successfully implemented, with 87 sites transitioned during 2013. The roll-out of the new liquefied petroleum gas supply scheme to all 84 budgeted sites was also a key achievement.

The business continued rolling out Sanifair to sites off the German Autobahn network, with 75 third-party sites in operation, including shopping centres, railway stations and motorway service stations outside Germany. Additional sites are currently located in the Netherlands, Austria and Spain and there is a strong pipeline of future opportunities both in Germany and the rest of Europe.

The December 2013 refinancing provided the company with additional cash flow to reinvest into the business for future development initiatives. Acquisition opportunities continue to provide potential for further growth, with the business analysing the acquisition of numerous attractive Autohofe sites (service stations off the Autobahn).

The business's strategy to review and update its food offering has continued with an emphasis on fresher meals and salads, a wider bakery range, bistro-type formats and alternative restaurant layouts. The newly-developed proprietary fast food concept called 'Brotzeit' has proven to be very successful and will be rolled out across the network.

PORTFOLIO BUSINESS REVIEW – TANK & RAST

Lorenzo Levi, Dr. Karl-H. Rolfes

MANAGEMENT

Dr. Karl-H. Rolfes
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 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.

PORTFOLIO BUSINESS REVIEW – TANK & RAST

Making Germany's motorways safer

A healthy diet and exercise contribute to safe travel on longer trips

PORTFOLIO BUSINESS REVIEW – TANK & RAST

As the leading motorway service company on the German network, Tank & Rast takes the subject of responsible and safe driving very seriously. In 2013, the company delivered on that commitment by launching and taking part in initiatives addressing road-safety issues and the importance of a healthy diet and physical exercise during longer trips.

How's my driving?

To shine a spotlight on driving habits, Tank & Rast – working with a number of partners – ran a campaign outlining the dangers of behaviour such as speeding and tailgating. To maximise awareness, the activity was timed to coincide with peak holiday season when the highest number of travellers are out on Germany's roads.

This year, Tank & Rast service sites also played their part in promoting the national campaign 'Fit for the Holidays'. The initiative was run jointly with partners including the German Automobile Association and the German Olympic Sports Confederation, and was supported by the Federal Ministry of Food, Agriculture and Consumer Protection.

Rest regularly and eat sensibly

'Fit for the Holidays' is all about reminding the travelling public that it is vital to take regular breaks during long journeys in order to stay focused behind the wheel. It also highlights healthy food and eating habits for drivers and the kind of well-balanced diet that enables us to keep our energy and concentration levels high when we are on the road.

Tank & Rast's corporate PR team played an active role in delivering the campaign to visitors to its sites throughout the summer. The initiative kicked off with a high profile press launch that was held in tandem with the Federal Ministry of Food, Agriculture and Consumer Protection in Berlin and was attended by programme ambassador Olympic champion Kati Wilhelm.

For three months, Tank & Rast staff distributed easy to understand flyers informing travellers about diet and exercise – the campaign eventually reached more than 27,000 travellers. There were also competitions to make the initiative more engaging and fun, and the sites carried campaign-related products and offered on-site exercise brochures for drivers and their families.

It is an area that is often overlooked; however, this year Tank & Rast has made a significant contribution not only to improved road safety, but also to raising awareness of the benefits to travellers of a healthy and balanced lifestyle.

Tank & Rast takes the subject of responsible and safe driving very seriously

Taking a break from the journey

PORTFOLIO BUSINESS REVIEW – TGCG

TGCG IS THE LARGEST PLANT- AND GARDEN-FOCUSED RETAILER IN THE UK

The
GARDEN
CENTRE
GROUP

PORTFOLIO BUSINESS REVIEW – TGCG

8/10

UK HOUSEHOLDS HAVE A GARDEN

140

SITES ACROSS ENGLAND & WALES

PORTFOLIO BUSINESS REVIEW – TGCG

In 2013, ten centres were acquired in three transactions

YEAR END: 31 DECEMBER	**2012**	**2013**
Revenue	£259m	£273m
Gross Profit	£131m	£146m
Concession Income	£14m	£15m
Operating Costs	(£116m)	(£119m)
EBITDA	**£28m**	**£43m**
External Interest Expense	(£14m)	(£12m)
Earnings before Depreciation, Amortisation and Tax	£14m	£31m
Capital Expenditure	£13m	£13m

PORTFOLIO BUSINESS REVIEW – TGCG

INVESTMENT RATIONALE

Gardening is part of the British culture; almost half of all adults participate in gardening, rising to nearly two-thirds of those aged 45 and over. The sector is considerably less volatile than overall consumer spending and is expected to benefit from an ageing population.

When Terra Firma acquired TGCG in April 2012, the business had been capital constrained and unable to take advantage of consolidation opportunities in this very fragmented sector or to take full advantage of investment opportunities in its existing portfolio. Terra Firma is developing the existing portfolio, expanding its product offering either directly or through third party concessions and making further acquisitions.

TGCG generates income in three ways: the sale of gardening and associated retail product offerings; revenue from on-site restaurants; and lease income from sub-letting space to third party retailers.

CREATING VALUE

TRANSFORMING STRATEGY

As part of its strategic review of the business post-acquisition, Terra Firma carried out a detailed site-by-site analysis which highlighted operational inefficiencies and the need for a more co-ordinated approach across the estate. Specific initiatives identified included those in procurement, wastage, operational efficiencies and central overheads, the implementation of which yielded over £10 million of savings during 2013.

Following a detailed analysis of space allocation and space profitability, TGCG is developing income streams that both enhance the customer experience and are less weather dependent, particularly by devoting more space to concession partners and restaurants. The customer experience and store format is being improved in order to provide a better and broader offering which appeals to both ‘leisure’ and traditional ‘gardening’ customers.

STRENGTHENING MANAGEMENT

Since acquisition, the management team has been significantly strengthened. In 2012, a new Chairman, CEO and CFO were appointed. Since then, there have been new appointments of Marketing, Retail Operations, Commercial, HR, Restaurant, Trading and Property Directors.

DEVELOPING THROUGH CAPITAL EXPENDITURE

In 2013, the business deferred development projects whilst the strategic review was being finalised and operational improvement projects were initiated. Looking forward, the business will seek to maximise the build-out of retail, leisure and concession space, expand its restaurant offering, and develop a sector-leading multichannel offering, with significantly higher capital expenditure expected in 2014. These initiatives will be informed by an enhanced analytical approach to space utilisation across the estate.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The plant and garden retail sector in the UK is very fragmented, with the top four garden centre groups representing only 12 per cent of the market. In 2013, ten new centres have been added in three transactions. In September, TGCG acquired The Garden & Leisure Group, adding seven large destination garden centres in prime locations to the portfolio. TGCG continues to explore accretive acquisition opportunities in what remains a highly fragmented market.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

As a consequence of its strong performance in 2013, TGCG was able to lower its borrowing costs. The freehold properties within the portfolio offer the potential to refinance at attractive rates, particularly as operational changes further improve results.

PORTFOLIO BUSINESS REVIEW – TGCG

CURRENT FINANCIALS

TGCG performed strongly during 2013 despite challenging weather conditions. EBITDA of £43 million was £14 million ahead of last year due to improvements in gross margin and cost savings which more than offset lower than expected revenue. TGCG's Food and Beverage ('F&B') revenues have shown year-on-year growth as a result of increased focus on this element of the business, which is important to both the leisure and gardening customer.

In both the garden centre and restaurant segments, the business has continued to improve its range, pricing and promotional activity. Total overheads were reduced by over £3 million compared with last year, with better control of staff hours and reductions in marketing expenses contributing to cost savings.

Capital expenditure of £13 million for the year was lower than planned due to projects being deferred whilst the strategic review was being finalised and operational improvement projects were initiated. Significantly higher levels of capital expenditure are anticipated in 2014 as site improvements are rolled out.

CURRENT DEVELOPMENT PLAN

A strategy review process has been finalised and the business is now implementing a number of changes. The review identified two broad categories of customers: the 'gardening' customer and the 'leisure' customer. Historically, TGCG has not prioritised leisure customers and the business believes that it can significantly improve and extend its offering to these customers, whilst continuing to serve its gardening customers well. In order to better cater to both types of customer, the business has been focusing on the optimisation of internal space utilisation between Garden Retail, F&B and Concessions.

The business is also improving the customer experience and store format by reviewing customer journeys and providing a better and broader offering. Product categories which do not perform well have been highlighted, thus giving the business an opportunity to release high-quality space to concession partners which will create a more attractive offering for the leisure customer and generate a less weather-dependent income stream from concession rentals.

TGCG has segmented its estate into six categories which will drive a differentiated range, concession mix and F&B offering. With a number of operational improvement initiatives underway, the business continues to focus on delivering efficiencies across its operations.

The business is actively developing a pipeline of potential add-on acquisitions of individual and group garden centres.

PORTFOLIO BUSINESS REVIEW – TGCG

Kevin Bradshaw, Stephen Murphy, Nils Steinmeyer

MANAGEMENT

Stephen Murphy

Chairman

Stephen was appointed Chairman in 2012. Prior to this, Stephen was Group CEO of The Virgin Group from 2005 to 2011, having succeeded the founder, Sir Richard Branson. He oversaw the worldwide interests of The Virgin Group and was responsible for global strategy. Stephen has previously worked for Mars, Burton Group, Ford Motors and Unilever plc.

Kevin Bradshaw

Chief Executive Officer

Kevin was appointed CEO in 2012. Most recently, Kevin served as Managing Director of Avis UK and was additionally responsible for technology across Avis Europe Plc. Previously, Kevin served as Managing Director of the Enterprise Information Division at Reuters plc and grew a number of businesses supplying financial data to the world's leading institutional financial services companies. He started his career at the Kalchas Group, a spin off from McKinsey & Co and Bain & Company.

Nils Steinmeyer

Chief Financial Officer

Prior to joining TGCG, Nils was a Finance Director at Terra Firma, which he joined in 2006 as Financial Controller with a remit to align the financial management and reporting standards across the portfolio businesses. Nils worked closely with several Terra Firma portfolio businesses, including Deutsche Annington, AWAS and Phoenix. Prior to Terra Firma, Nils spent 11 years with General Electric Co. (USA) in a wide range of finance roles across various divisions of the company.

PORTFOLIO BUSINESS REVIEW – TGCG

The garden centres that are also nurturing people

Apprentices working with the Pershore College of Horticulture

PORTFOLIO BUSINESS REVIEW – TGCG

TGCG recognises that people lie at the centre of its business, so nurturing and developing its employees must be a top priority. The longevity of its team suggests that TGCG is getting it right – more than 30 current members of staff have worked at the company for over 20 years, 29 for over 30 years and 7 for over 40 years.

Developing skills
To ensure that all members of staff have the knowledge they need to do their jobs to the best of their abilities, all employees have access to TGCG's award-winning E-learning system. It has over 150 modules covering topics such as health and safety, customer service, inductions and a wide variety of horticulture and garden care topics. Since the launch of the system in 2010, over 300,000 modules have been completed, and work is ongoing to keep adding to this impressive database and build key personal development plans for all employees.

Creating the next generation of managers
In 2012, two industry-leading apprenticeship programmes were launched in pilot form, and 2013 saw the recruitment of 84 full-time apprentices for the Garden Centre Operations and Horticulture programme (in association with the Pershore College of Horticulture) and the Cookery programme (in association with Westminster Kingsway College).

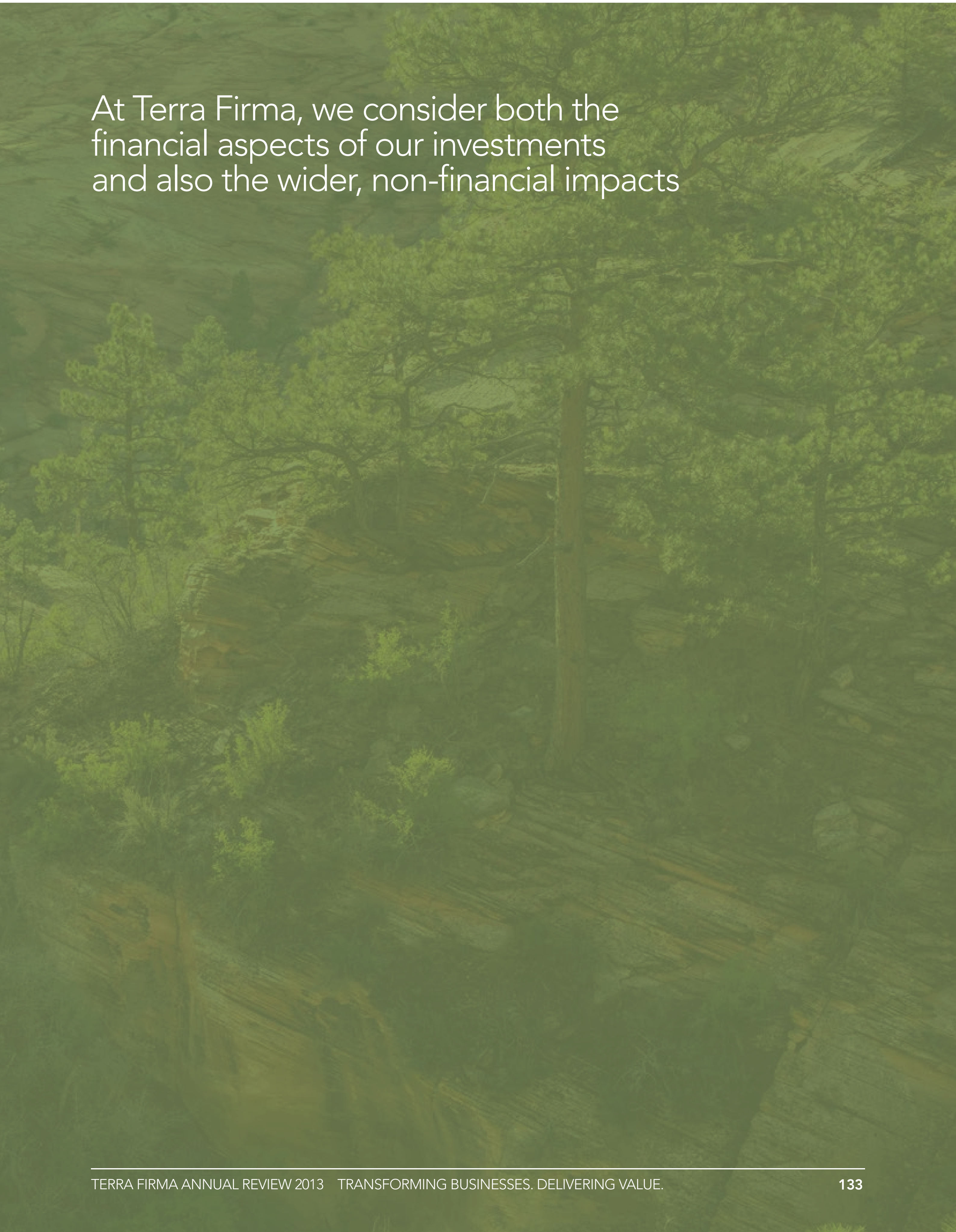
The programmes work by immersing the apprentices into the business over the course of a year with knowledge-based training, college-based master classes and an abundance of hands-on experience. The result is new opportunities for the young people on the scheme and a vital management and leadership resource for the company. Highlights in 2013 included Jade Goodwin from the Bury St. Edmunds Garden Centre winning the Westland Star of the Future award at the Garden Retail Awards.

Good deeds for the year
Charity and fundraising has always been a key pillar of the business and over the past few years significant sums of money have been raised for national charity partners such as Alzheimer's Society, Greenfingers and the NSPCC.

2013 also saw another initiative being approved – employee volunteering. TGCG is encouraging all full-time employees to take one paid day per year to volunteer with charities and community groups and help put something back into the local community. This will be rolled out across the business in 2014.

All employees have access to TGCG's award-winning E-learning system

Apprentices on the Cookery programme



At Terra Firma, we consider both the financial aspects of our investments and also the wider, non-financial impacts

LETTER FROM THE CFO

Taking a more holistic view has always been part of our approach to buying and operating businesses

August 2014
We recognise the value that can be created through investing responsibly and managing responsibly, not only in our portfolio businesses, but also within Terra Firma itself. This can be seen through our strong track record of environmentally positive investments, our reputation for transparent communication and our continued support of local charitable organisations.

Taking a more holistic view has always been part of our approach to buying and operating businesses. By building high-quality sustainable businesses, we not only create long-term value for our investors, but we also consider the impact on other important stakeholders, such as the staff in our businesses, whose number reaches close to 50,000.

In 2013, we formed the Sustainability Committee as part of the development and formalisation of our Responsible Investing Policy. The Sustainability Committee is responsible for overseeing and implementing the Responsible Investing Policy, which sets out how we manage the relevant ESG factors in our investing activities.

We have brought together a committee comprising individuals from a wide range of teams in Terra Firma, including:

- **William Burnand**, Legal Director and Chair of the Terra Firma Charity Committee;
- **Radu Gruescu**, Transaction Director;
- **Mike Kinski,** Operational Managing Director;
- **Ryan Macaskill**, Portfolio Business Financial Controller; and
- **Anne Sheedy**, Fund Reporting and Investor Relations Director.

LETTER FROM THE CFO

As Chair of the Sustainability Committee and Chief Financial Officer, I report on these factors to the general partners of the Terra Firma funds throughout the year. During its quarterly meetings, which started in August 2013, the Committee sets and reviews its responsible investing objectives, and reviews the ESG-related performance and reporting from our portfolio businesses. In addition, it produces guidance for the firm on the implementation of our responsible investing practices.

During the year, the Committee worked with external ESG consultants as well as the transaction teams who piloted newly-developed tools for considering ESG factors in relation to potential new deals. The Committee also reviewed the results of an external review of ESG factors in a group of our existing portfolio businesses.

This year, we implemented a framework for our businesses to report on ESG-related key performance indicators ('KPIs'), working with each of them to identify the most relevant measures in the areas of Governance, Workplace, Marketplace and Community. We expect our businesses to operate responsibly, to act in accordance with relevant laws and regulations and to have appropriate policies, processes and systems in place. In addition to developing reporting on relevant KPIs, we also now require each business to confirm their compliance with our principles of responsible business practice each year.

This year, the Committee set its objectives for 2014 which include: rolling out an enhanced ESG process for the consideration of potential acquisitions; increasing the level of ESG disclosure at Terra Firma and within the portfolio businesses; and completing the first round of portfolio business ESG KPI reporting.

We look forward to making progress on these and our other initiatives over the remainder of the year.

Best wishes,

Chris Barnes

BUSINESS AND FINANCIAL REVIEW

3

BUSINESS AND FINANCIAL REVIEW

INTRODUCTION

OVERVIEW

Over the past twenty years, Terra Firma has raised five funds and invested over €16 billion in 33 businesses with an aggregate enterprise value of over €47 billion. Our funds have made control investments in businesses mainly in Europe. We have around 50 investment professionals with offices in Guernsey, London, Frankfurt and Beijing.

We have a consistent and distinctive approach to investment. We buy asset-rich businesses in essential industries that require fundamental change. This approach has led us to invest in three areas: transformational private equity; operational real estate; and infrastructure-'plus', including renewable energy.

We add and create value through being directly involved in the companies we buy. Through a combination of strategic and operational change, improved management, sustained investment and efficient financing, we transform our businesses into best-in-class.

BUSINESS OBJECTIVE

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.

The Terra Firma advisory group consists of TFCPL in London, TFCML in Guernsey, terrafirma Gmbh in Frankfurt and a representative office in Beijing.

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.

BUSINESS ENVIRONMENT

We have been investing in Europe for twenty years and it is a geography that we know and understand. The ability to work within the European regulatory and cultural environment is essential in creating successful and sustainable businesses. We have extensive experience of dealing with governments, quasi-governmental organisations and regulated businesses. Since 1994, 28 of the 33 businesses in which we have invested have been headquartered in Europe. Within our current portfolio, ten of the twelve businesses are European-based, with 84 per cent of aggregate revenues being generated in Europe[1].

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.

[1] For the year to 31 December 2013

STRATEGY

Greg Newman, Felicity Anderson

INVESTMENT APPROACH

Since 1994, we have followed a consistent investment approach of acquiring companies that have been overlooked, are under-performing or whose performance we feel can be significantly improved. These may be in sectors that are out-of-favour or businesses that have been under-managed or under-capitalised. Our goal is to generate superior returns by transforming the strategy, operations, finances and management of the businesses we acquire to make them best-in-class.

We drive that transformation through being directly involved in our businesses. We undertake a small number of relatively large deals which, given the size, diversity of skills and experience of our team, improves the quality of our analysis, helps us to develop better insights and devise new strategies, and means that we are able to be directly involved in our businesses at multiple levels. We take a pro-active role in determining strategy and ensuring its effective implementation.

Our model works through economic cycles and is not dependent on aggressive restructuring of balance sheets or rising markets, although these may create further upside.

We have been investing in Europe for twenty years and it is a geography that we know and understand

BUSINESS AND FINANCIAL REVIEW

STRATEGY

CONSISTENT INVESTMENT CHARACTERISTICS

All our investments share three characteristics: they are asset backed; are in essential industries; and require fundamental change or repositioning.

ASSET BACKED

We have significant expertise in investing in asset-backed businesses. In the early 1990s, we pioneered the practice of asset-by-asset due diligence within the rail and pub sectors. We continue to use this approach today using detailed bottom-up asset-by-asset due diligence when evaluating each of our investment opportunities. By breaking down aggregate cash flows, we identify the true potential economic value of each underlying asset.

We look for businesses that are rich in assets, which helps protect the value of our investments and provides a stable platform for growth. It also offers a wide variety of options to create value for our businesses through financings and exits.

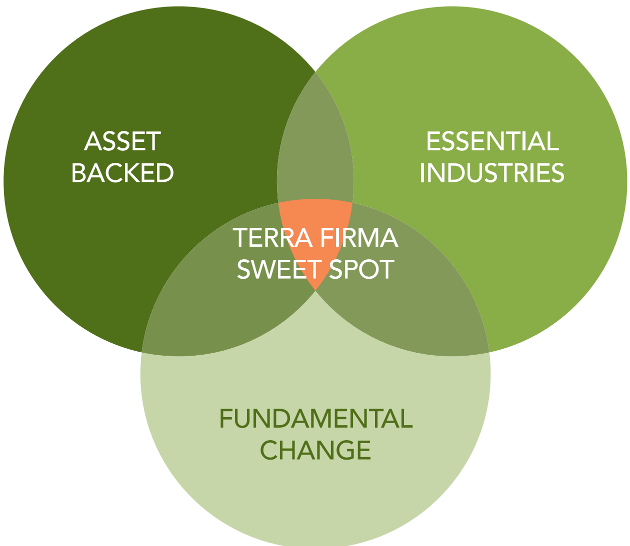
ESSENTIAL INDUSTRIES

We only invest in what we call 'essential' industries which offer a stability of underlying demand and so are more resilient in downturns. They do not depend strongly on technological innovation or branding and are often in complex regulated sectors. Thus far, this approach has led us to invest in energy and utilities, infrastructure, affordable housing, leisure/hospitality, agriculture, healthcare and asset leasing.

REQUIRING FUNDAMENTAL CHANGE

We identify businesses that require fundamental change or repositioning, 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, making add-on acquisitions, investing significant amounts of capital and dramatically improving operational performance. Our team's operational skills allow us to supplement and, if necessary, replace existing management in order to implement that change and drive operational excellence.

3



We use five value drivers in our businesses

BUSINESS AND FINANCIAL REVIEW

CREATING VALUE

We invest in businesses where we see multiple opportunities to create value using our five value drivers. Because we do not rely on incumbent management and we look to do things differently in order to improve performance and create value, we often develop new insights and strategies.

We have a rigorous approach to value creation and plan the transformation or repositioning of a business before we acquire it. We ensure the effective implementation of our five drivers of value by being involved in our businesses at every level, with multiple touch points that allow us to drive through the changes we have identified.

1

TRANSFORMING STRATEGY

Identifying a transformational strategy is central to our approach to creating value in a business. We look at a business with a fresh pair of eyes which can provide new insights and an alternative approach. 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 through acquisitions or diversifying its markets. Our 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 to implement change and drive operational excellence. 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. Although, when necessary, we will bring in a new management team to implement our strategy and drive the business forward.

3

DEVELOPING THROUGH CAPITAL EXPENDITURE

We are prepared to invest significantly in our businesses to transform them. As part of this process, we implement new frameworks for capital expenditure programmes to improve performance and grow our businesses organically. We also develop scalable platforms for expansion, enabling them 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 their scale and capability and consolidate and improve their position within their industries to release synergies. Since 1994, Terra Firma has invested in 33 businesses and executed over 50 additional bolt-on acquisitions to develop them.

5

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

We lower the cost of capital within our businesses by repositioning them to reduce business risks. We do this by diversifying and stabilising cash flows and resolving business and regulatory uncertainties. We also actively manage their capital structures through refinancings and securitisations.

3

STRATEGY

TERRA FIRMA'S DIFFERENCE

Transforming and creating value in businesses is at the heart of what we do and we formulate our own strategies for each of our businesses. Looking at things differently, with a fresh perspective is part of our culture and embedded in the way we work. We constantly seek better ways to do things and new ways for our businesses to operate. This entrepreneurial approach drives our distinct way of working which has been developed and refined over twenty years of investing in and operating businesses.

Our way of working encompasses four themes, all of which work in partnership to enable us to best execute our strategy:

DIVERSE, BROAD-BASED SKILLS

We hire people who have a passion for businesses and making them better.
We believe that having an in-house team with a wide variety of skill sets, backgrounds and experience is the best way to provide fresh insights. We work in multi-disciplinary teams allowing us to develop a unique understanding of industries and business models and to manage the entire process from acquisition through transformation through to exit. Because our strategy is highly transformational, we have a very interventionist and hands-on approach to managing our assets and this is reflected in the size, diversity and skill base of our team.

Today, that team includes around 50 investment professionals with a diverse set of investment and business skills drawn from a wide variety of backgrounds. The team comprises more than 20 different nationalities with fluency in over 20 languages at business level. They have degrees from around 50 different universities in a wide variety of subjects and 19 people have a second degree.

Jack Mervis, Ryan Macaskill

Multi-disciplinary teams

We draw from three groups of skill sets to identify, transform and realise value in our portfolio businesses: transaction skills; operational skills; and in-house legal, tax and structuring skills.

Our transaction skills enable us to identify potential acquisitions, focus on the financial requirements of the business and develop exit opportunities. These skills reside primarily in our finance professionals who are drawn from a wide variety of backgrounds including investment banking, consultancy, accountancy, law and direct from university.

Our operational skills enable us to identify new strategies and initiatives during the evaluation of a potential new investment and then lead improvement programmes for strategic and operational change, providing project secondees and, where necessary, playing the role of interim executive management. These skills reside principally in Terra Firma's operational professionals. Collectively, they have deep leadership, managerial and financial experience in running businesses and divisions of large companies.

BUSINESS AND FINANCIAL REVIEW

Our legal, tax and structuring skills enable us to handle complex transactions quickly and effectively. These skills reside in a group of senior lawyers and tax accountants who have extensive experience in handling complicated situations. Housing these professionals within Terra Firma enables the firm to execute highly intricate deals, and assess and resolve regulatory, contractual, tax and legal risks efficiently.

ORIGINATING NEW PERSPECTIVES AND APPROACHES

We pride ourselves on bringing a fresh perspective. Our experience over the past twenty years, combined with the diversity of skills and experience in our in-house team, which mixes financial, operational, legal, tax and structuring views, improves the quality of our analysis and helps us to develop better insights and devise new strategies. We encourage our people to question perceived wisdom and accepted ways of doing things in order to unlock new ideas and find better ways to operate.

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, through taking an alternative perspective, we have identified hidden value in many businesses. We explore all possible options and often take an alternative perspective which results in us pursuing the less obvious path. This entrepreneurial and challenging culture is critical to our success.

We encourage a culture of open communication to ensure that everyone, no matter what their background or seniority, can contribute their ideas, experience and expertise to the development of our businesses. This improves the quality of our decision-making and the effectiveness of our teams.

An external perspective

In addition to our in-house specialists, Terra Firma works with a range of senior advisers chosen for their knowledge and experience in a particular industry, function or discipline. These individuals provide independent views and alternative perspectives on our 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: Lord Birt, Ian Bremmer, Peter Dixon, Fraser Duncan, Elizabeth Filkin, Rupert Gavin, Dieter Helm, Dr. Michael Kern, Frank Kinney, Wolfgang Koenig, Stephen Murphy, Dr. Werner Seifert, Ian Smith, Dr. Bob Swarup and Charles Weliky.

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.

BUSINESS AND FINANCIAL REVIEW

STRATEGY

WORKING ACTIVELY TO DRIVE TRANSFORMATION

We deploy our own teams with financial and operational skills to drive transformation in our investments. On average we have six people working on each of our businesses – a high figure, but one that reflects the scale of the changes we undertake. Most Terra Firma employees will work in a portfolio business at some point and all graduate analysts spend a year on rotation in one of our businesses to give commercial as well as financial experience.

Our in-house pool of operational talent gives us flexibility when we are making an investment, whether it is a business that needs to move in a different direction or an asset-only investment requiring a new management team and operational structure. It allows us to supplement and, if necessary, replace existing management where required and also to address short-term management changes whilst a business is transitioned to a longer-term management solution.

Multiple touch-points

Terra Firma professionals work with their portfolio business colleagues at multiple levels within the business to implement our transformational strategies at all levels. This close working relationship enables us to drive the successful transformation of our businesses and deliver value for our stakeholders.

Terra Firma staff are routinely seconded to or based in our businesses to ensure it has the support it needs to drive through our changes. Our involvement is most intense immediately after a business is acquired as this is when it is vital to make sure momentum is created and that management and staff are motivated and incentivised to work with us to maximise the value of the business.

Although the level of direct involvement in a portfolio business is likely to decrease during our ownership, we remain very closely involved with the strategic decisions our businesses make. Ongoing oversight is provided by our portfolio business team which maintains regular contact with different levels of management often on a daily basis and continually evaluates the performance of the investment, the management team and the strategy.

A FLEXIBLE AND RESPONSIVE APPROACH TO BUSINESS

Markets and economic conditions change, especially when portfolio businesses are being held for the longer term and we recognise that in order to maximise value in our businesses, we need to be both flexible and responsive. We regularly review a business's strategy and our in-house pool of operational skills gives us complete flexibility if a business needs to move in a different direction.

We aim to keep all appropriate options for our businesses open as long possible. This optionality and flexibility allows us to take advantage of market developments as they arise, rather than being a hostage to market changes.

BUSINESS AND FINANCIAL REVIEW

ALIGNMENT OF INTEREST

At Terra Firma, we are long-term investors who succeed only when the businesses in our portfolio succeed. As one of the largest investors in our funds, Terra Firma prospers along with its investors by developing and growing successful businesses.

Nearly all of Terra Firma's employees invest their own money in the funds, so their personal, professional and financial success is tied to the success of our portfolio businesses. Similarly, the way the management teams in our businesses are compensated is also based on the long-term success of each business. This alignment of interest is fundamental to the way that Terra Firma operates: openly, responsibly and transparently.

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 eight per cent 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.

Enrico Del Prete, Stefan Thiele, Radu Gruescu

This alignment of interest helps create value in businesses over the long term and, whilst not perfect, is far superior to the focus on annual results and bonuses that have historically existed in public companies and investment banks.

We are long-term investors who succeed only when our portfolio businesses succeed

BUSINESS AND FINANCIAL REVIEW

BROAD-BASED EXPERTISE

Schuyler Clemente, Dominic Spiri

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 make investments 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, Odeon & UCI, EverPower and Deutsche Annington are prime examples of how strategic and operational change and sustained investment have created market-leading companies.

OUR PEOPLE

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. 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 actively recruit people with varied experiences

BUSINESS AND FINANCIAL REVIEW

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 skills-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 two-year Graduate Analyst Training Programme. In 2011, eleven individuals were hired onto the training programme. As a central part of the scheme, the analysts 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 graduates who have developed a broad base of skills on which to build their careers. In response to this success, in 2013, TFCPL extended the scheme to a three-year programme with an intake of eight graduates.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work. In 2013, Terra Firma made nine internships available and plans to do the same in 2014.

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

We aim to develop not only successful businesses, but also successful employees

BUSINESS AND FINANCIAL REVIEW

BROAD-BASED EXPERTISE

OUR GRADUATE ANALYST TRAINING PROGRAMME

We aim to develop not only successful businesses, but also successful employees. This philosophy pushed us to become one of the first private equity firms with an established graduate programme.

The rotational programme is designed to give graduates a comprehensive and challenging grounding within the business and a unique perspective on the private equity industry. As Charlotte Broadbent, a 2011 joiner who has since become an Associate at Terra Firma, comments "Terra Firma's graduate scheme offers unique exposure to working across the life cycle of private equity: from fundraising to transaction execution and through to business transformation."

Ishan Bharadwaj entered the scheme in 2011 and is now an Associate, "The Graduate Analyst programme throws you in at the deep end and you are expected to pick up concepts and take on responsibility quickly. What you take away is the total picture of the private equity business which positions you well for a career in private equity, finance, and even industry."

In their rotations, graduates are able to get hands-on private equity experience, working alongside senior members of the business to help close deals, grow the businesses and deliver results for investors. For the 2013 intake, the scheme was extended from two years to three years, giving the graduates a full year of working within a portfolio business, which is key to understanding how our businesses operate and appreciating the challenges they face.

BUSINESS AND FINANCIAL REVIEW

William Burnand, Ishan Bharadwaj

"Private equity at Terra Firma is all about transforming businesses and in order to do that you have to have a granular understanding of those businesses. The rotation scheme at Terra Firma offers you that opportunity – to get into the detail and work with the businesses at the businesses." Richard Dunn, 2013 entrant onto the scheme.

Terra Firma graduates come from a diverse array of backgrounds, bringing their fresh perspectives to the business. Current participants have studied subjects as wide ranging as Chemistry, Modern & Medieval Languages and International Relations and speak a variety of languages.

Terra Firma understands the importance of continued training. As highlighted by Ausra Maseckyte, a 2013 entrant, "Terra Firma invests heavily in training and developing its people. In addition to being put through the CFA programme, I also have Arabic lessons in the office twice a week."

Graduates get hands-on private equity experience, working alongside senior members of the business

RESPONSIBILITY

We believe that a proactive approach to ESG issues makes good business sense, supports alignment of interests and creates long-term, sustainable value alongside important benefits to the wider community. In 2011, we made this commitment more explicit by signing the United Nations-supported Principles for Responsible Investment ('UN PRI').

Our Responsible Investment Policy sets out our guidelines in relation to the consideration of ESG factors in the way we run our own operations, make new investments and manage our portfolio businesses. Its implementation is overseen by our Sustainability Committee, which is chaired by our CFO, Chris Barnes, and includes members from across Terra Firma.

Our general partner boards receive regular updates on the implementation and results of our Responsible Investment Policy, both through our Sustainability Committee and our Audit and Compliance Committee.

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. We are clear in our expectation that they will comply with relevant laws and regulations and follow our high standards of business conduct and we work with them to ensure the appropriate policies and systems are in place. We also ensure that each business has an appropriate reporting mechanism for material ESG-related metrics and we encourage them to include such metrics in their public reporting.

Terra Firma's own environmental impact is relatively small, but we recognise that we set an example to our businesses and to our industry. We are a carbon neutral business: carefully measuring our carbon footprint and offsetting emissions through projects which bring both environmental and social benefits. Our 2013 emissions were equivalent to 4,215 tonnes of CO_2, 12 per cent lower than in 2012 as a result of lower travel-related emissions. In offsetting our 2013 emissions, we invested in four certified projects: a programme supporting low smoke cookstoves in Sudan; wind power generation in India; and wind and small-scale hydro power generation schemes in Turkey.

Our UK businesses participate in the CRC Energy Efficiency Scheme and we have supported their efforts and investments to better manage energy consumption.

Responsible investment has always been an inherent part of our values and operational practice

BUSINESS AND FINANCIAL REVIEW

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.

INVESTMENT CRITERIA

We have a rigorous investment review process, during which we consider all relevant risks including ESG factors; and we do not recommend investments where we believe that risks cannot be managed to an appropriate level. We have developed ESG materials which help our teams identify and assess relevant ESG factors during the pre-investment process.

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. The business donates ten per cent of its annual pre-tax profits to charity. This is divided between Impetus-The Private Equity Foundation ('Impetus-PEF') of which Terra Firma is a founding member, and the Terra Firma Charitable Trust.

Impetus–PEF transforms the lives of children and young people living in poverty by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential. Impetus-PEF works to find the most promising charities and social enterprises working with these children and young people and helps them become highly effective organisations with the potential to expand significantly and increase the number of young people they serve.

Our ESG materials help our teams identify and assess ESG factors in the pre-investment process

RESPONSIBILITY

TERRA FIRMA CHARITABLE TRUST

The Terra Firma Charitable Trust, a non-profit charitable fund formed and funded by TFCPL and its employees, was established in 2002. Its mission 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 principally support programmes that put an emphasis on aiding and educating children and helping the elderly.

TFCPL's donations have enabled the Trust to make total commitments of over £1.7 million to charitable organisations working in and for our local community.

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

ACTION FOR CHILDREN

5-year funding (2011–12, 2014–16)

Action for Children's 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 the situation reaches crisis point. As most 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.
This is normally at a serious cost to academic achievement and personal development.
The project currently supports 85 children and provides educational and recreational opportunities and critical emotional support.

ADDACTION

3-year funding (2011–13)

Addaction is the UK's leading drug and alcohol treatment charity. Every year, it helps 50,000 people in England and Scotland recover from substance misuse problems.
It does this through detox and relapse prevention, with a particular emphasis on rebuilding relationships and equipping people with the skills to go on to live fulfilling and meaningful lives. 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 UK LEWISHAM AND SOUTHWARK

9-year funding (2007–12, 2014–16)

Age UK Lewisham and Southwark ('AUKLS') 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, AUKLS 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 UK is dedicated to the promotion of the well-being of all older people and to helping make later life a fulfilling and enjoyable experience.

BUSINESS AND FINANCIAL REVIEW

CCHF ALL ABOUT KIDS

6-year funding (2009–14)

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-years old. 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.

CREATE ARTS

6-year funding (2008–13)

Founded in 2003, Create has run over 4,000 creative arts workshops for more than 27,500 disadvantaged and vulnerable participants, as part of sustained, life-changing programmes. Aimed at those who are excluded through disability, disadvantage, ill-health, imprisonment, poverty or social isolation, participants are given access to high-quality creative arts experiences that help them develop creativity, learning, social skills and self-esteem. Every project helps to create a society that is fairer, more caring and more inclusive.

DOWNSIDE FISHER

5-year funding (2009–12, 2014)

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 opportunities that are not otherwise easily available in Bermondsey.

MANNA SOCIETY

2-year funding (2012–13)

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 150 and 200 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 also offers access to computers four days a week and an English class once a week.

PRINCE'S TRUST

12-year funding (2003–14)

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

BUSINESS AND FINANCIAL REVIEW

TOMORROW'S PEOPLE

6-year funding (2008–10, 2012–14)

Tomorrow's People is an innovative national employment charity that is transforming people's lives through work. Since its foundation in 1984, the charity has helped over 465,000 people on the road to employment. It operates a range of programmes focused on tackling the complexities of long-term, structural unemployment including its flagship 'Working It Out' programme, which helps excluded young people from deprived neighbourhoods to improve their lives by gaining meaningful, lasting employment, training or further education. The charity also runs ground-breaking programmes for adults and young people, including working in prisons, GP practices and isolated villages.

ST VINCENT DE PAUL SOCIETY

3-year funding (2013–15)

The St Vincent de Paul Society is an international Christian voluntary organisation dedicated to tackling poverty and disadvantage by providing practical assistance to those in need – irrespective of ideology, faith, ethnicity, age or gender. The Society was initially formed in Paris in 1833 and is active in 149 countries, with nearly 600,000 members worldwide. The essential work of the Society is person-to-person contact and the Society does not make donations to any work in which members are not personally involved. Visiting the sick, the lonely, the addicted, the imprisoned and those suffering from disabilities forms a large proportion of the Society's work. In England and Wales, its 10,000 volunteers annually carry out more than 500,000 recorded visits. It is estimated that this amounts to well over one million hours of voluntary service.

XLP

6-year funding (2008–12, 2014)

XLP was founded by Patrick Regan in 1996 after a stabbing in a school playground. Today, XLP serves young people in schools and communities across seven inner-London boroughs working with over 1,800 young people each week on a one-to-one and small group basis, and engaging with over 12,000 young people per year. XLP operates a range of projects designed to help young people gain a raised sense of self-worth, improve educational attainment, learn to set goals and work hard to achieve them, and address challenging behaviours.

BUSINESS AND FINANCIAL REVIEW

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

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.

HEADWAY GUERNSEY

6-year funding (2010–15)

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.

HELP A GUERNSEY CHILD

3-year (2013–15)

Help a Guernsey Child was established in January 2001 to raise funds for deserving children in the Bailiwick of Guernsey. The charity actively seeks to assist disadvantaged local children, young people and youth organisations, as well as meeting some specific individual needs.

CRIMINAL JUSTICE ALCOHOL SERVICE

5-year funding (2011–15)

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 donations from TFCML will help finance a full-time employee for this valuable service.

We are fully committed to supporting our local communities

BUSINESS AND FINANCIAL REVIEW

ST VINCENT DE PAUL SOCIETY

TACKLING ISOLATION AND POVERTY IN SOUTHWARK AND BEYOND

According to a 2013 study, over a quarter of Londoners are living in poverty. But perhaps more importantly, a quarter of them say they feel lonely some or all of the time. Without support networks, minor crises easily escalate, leaving vulnerable people in debt, despair and ill health.

A HELPING HAND WHERE IT IS NEEDED MOST

The St Vincent de Paul Society ('the SVP') tackles isolation and poverty through its national network of volunteers. Last year, 10,000 volunteers made half a million visits to the homes of those in need. They spent more than a million volunteer hours in visiting and helping the aged, infirm, lonely and deprived members of society. These visits are often combined with practical help such as food parcels, furniture provision or help with filling in forms. The SVP's 'one-to-one' approach, both personal and practical, connects vulnerable people with a supportive community and tackles real issues at their source.

Earlier this year, the Prime Minister recognised the charity's work with a 'Big Society Award'. David Cameron said: "The St Vincent de Paul Society turns concern into action. The Society's incredible number of volunteers build on a near 200-year history of lending a practical hand to support those in need."

THE SUPPORT NETWORK THAT IS OPEN TO ALL

Active throughout the whole of England and Wales since 1833, the SVP's main objective is the relief of poverty, both material and emotional, without differentiation on the grounds of race, colour, creed, ideology or gender. The charity supports a wide range of vulnerable people from the young, single parents and families to the elderly, travellers, asylum seekers and ex-offenders.

The SVP also runs a number of support projects around the country including food banks, community shops, furniture and clothes stores, hostels, children's summer camps and holiday homes for families.

SVP support is locally tailored to the expressed needs of the individual and the community. It may be in response to a crisis or a situation requiring ongoing support for many years. Whatever prompts the contact with SVP, its befriending visits can transform lives. One of the charity's volunteers describes witnessing the results for themselves.

BUSINESS AND FINANCIAL REVIEW

Recruitment Officer, Kieran, publicising the work of the SVP at a recent event in Southwark

"As John and I walked to Mr Mercer's house, we wondered if this was a good time of day to visit. Perhaps he would prefer to be watching TV. We arrived, half an hour after our usual visiting time, rang the bell and waited. After a few minutes, Mr Mercer, frail and visibly upset, opened the door. The sound of a television could be heard in the background. So I was correct in my worries, I thought. Then, to my surprise, Mr Mercer leaned his forehead against the wall and, with his shoulders shaking, started to sob quietly.

"Are you alright Mr Mercer?" I asked. "Yes, yes", he replied, "I just thought that no-one was going to come to see me tonight." Our visit may be the only contact someone has had with another person since the previous week. We may feel we don't do much during a visit, but this is an extraordinary testimony to how much it is appreciated."

As well as the SVP's core work of befriending, its volunteers are also sometimes able to respond to emergency cries for help, as one family discovered this year when disaster struck.

As John and Maria watched their house burn down, they were thankful that they were unharmed and had managed to save their two young children. Absolutely everything else they owned had been lost in the flames. They were quickly rehoused by the local council, to an area that was unfamiliar to them, and to a completely empty house. They had nothing but the clothes they were wearing.

John contacted his local SVP hoping for help with some beds. By the evening of that same day, the SVP furniture store had not only supplied the much-needed essentials, but had also furnished the entire house as well as providing clothing for the family. They even managed to find two bikes for the children!

MAKING A DIFFERENCE IN SOUTHWARK

The SVP has its national offices in Southwark. Volunteers in this local area, however, are thin on the ground. The need is great, though, as Southwark has one of the highest levels of social housing, rough sleeping is common around London Bridge and there are areas of elderly deprivation and fuel poverty. There is much for the SVP to do locally via its befriending, youth programme and community activities, and Terra Firma's support is helping to make that work possible.

BUSINESS AND FINANCIAL REVIEW

A SVP shop and support centre

TERRA FIRMA'S SUPPORT

Terra Firma has pledged £30,000 a year for three years. This pays for a full-time Volunteer Recruitment Officer, Kieran Knights, who has been given the challenging task of building a network of SVP groups from the ground up. Kieran was recently recruited and has started a busy programme of establishing relationships with the relevant stakeholders in the area. He has contacted 13 parishes out of 15 in Southwark, including the Dean of St George's Cathedral, Southwark. He aims to set up at least three new groups in the first year, and ten by the end of the three-year period. Typically, each group has an average of ten members who visit around 100 people per year. This means that, within a few years, the SVP expects to be helping 1,000 people a year, and will be seeking out opportunities to set up community shops and partner with other agencies in the area.

The SVP turns concern into action

CORPORATE GOVERNANCE

FRAMEWORK

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

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.

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.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Tim Pryce, Chris Barnes 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.

SUSTAINABILITY COMMITTEE

The Sustainability Committee oversees our Responsible Investment Policy which sets out our guidelines in relation to the consideration of ESG factors in the way we run our own operations, make new investments and manage our portfolio businesses. The Committee is chaired by Chris Barnes, CFO and includes members from across Terra Firma.

BUSINESS AND FINANCIAL REVIEW

TFCML

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

Rupert Mackay qualified as a Chartered Accountant in 1995 with Coopers & Lybrand Deloitte and moved to Nomura International plc in 1997, where he worked for its Principal Finance Group from 1998. Rupert joined Terra Firma in 2002 when it spun out from Nomura. He moved to Guernsey in 2012.

Iain Stokes, Rupert Mackay

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 holds a degree in law from the University of Southampton and 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 October 1997 to October 1999. He was formerly an Ordinary Member of the Guernsey Financial Services Commission from 1992 to July 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.

We are committed to the highest standards of corporate governance

CORPORATE GOVERNANCE

John Loveridge joined Terra Firma in 2002 as a Non-Executive Director of the group's Guernsey-based entities. John is a native Guernsey-man and a former Managing Director and Principal Shareholder of Redbridge Offshore Limited 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. He was educated in Guernsey and graduated from Elizabeth College.

During his 40 years' 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 worldwide client base. He currently sits on the offshore boards of the funds and underlying corporate structures of several major investment groups worldwide.

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 23 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 & Global consulting businesses. John is a Non-Executive Director of Jersey Electricity and JT Group (formerly Jersey Telecom). He recently completed a ten-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 Chairman of Governors of More House School, a Trustee of the Arts and Islands Foundation and a former President of Rotary Guernesiais. He is a Fellow of the Institute of Chartered Accountants of England and Wales and a Member of the Worshipful Company of Management Consultants.

BUSINESS AND FINANCIAL REVIEW

TERRAFIRMA GMBH

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

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 Terra Firma fund has an Advisory Board composed of representatives of a selection of that 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.

Ruhul Amin, Robin Boehringer

Each fund has an Advisory Board composed of representatives from that fund's investors

SENIOR TEAM REMUNERATION

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 2013, the total cash compensation (annual salary and discretionary bonus) paid to the Senior Team was £11,152,643 and the average for these 11 individuals was £1,070,654. Salaries are reviewed annually and are set in relation to an individual's performance and market comparator groups. 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 per cent of pre-disability income once an individual exceeds six months' continuous sickness absence, subject to a maximum payment of £350,000 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 per cent 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 per cent 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.

BUSINESS AND FINANCIAL REVIEW

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 for a period of at least three months following the termination of their employment from:

(i) taking up employment with any business that is (or is about to be) in competition with Terra Firma;

(ii) soliciting or canvassing customers or clients of Terra Firma;

(iii) enticing or trying to entice away any member of staff.

Victoria Casewell-Lunn, Enrico Del Prete

Shanthini Ravindrasingham, Christine Babbs, Martyn Evans

BUSINESS AND FINANCIAL REVIEW

GENERAL ACCOUNTABILITY

Sami Kassam, Fergal Leamy

AUTHORISED STATUS

TFCPL is authorised and regulated by the Financial Conduct Authority ('FCA') 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 FCA rules and any other rules and regulations governing the conduct of designated investment business under the Financial Services and Markets Act 2000.

Morgan Sharpe Administration 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 financial statements, which are prepared in accordance with 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 31 March and the accounts are filed every year at Companies House where they are publicly available. TFCPL's auditor is Deloitte & Touche.

BUSINESS AND FINANCIAL REVIEW

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 financial statements are prepared in accordance with 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 31 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 31 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.

Guy Hands is the ultimate beneficial owner of the share capital of TFCML.

BUSINESS AND FINANCIAL REVIEW

RISKS AND UNCERTAINTIES

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

RISK MANAGEMENT

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

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

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

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.

BUSINESS AND FINANCIAL REVIEW

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

The Terra Firma advisers have 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 euro. 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.

OUR FUNDS

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OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

TERRA FIRMA FUNDS

AGGREGATED FUND FINANCIAL STATEMENTS

BALANCE SHEET	NOTE	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
FIXED ASSETS			
Investments	3(b), 6	6,318,348	6,421,602
CURRENT ASSETS			
Cash at bank		64,285	41,557
Accounts receivable	7	1,180	504
CURRENT LIABILITIES			
Accounts payable	8	3,788	413
NET ASSETS		**6,380,025**	**6,463,250**
PARTNERS' LOAN AND CAPITAL ACCOUNTS		**6,380,025**	**6,463,250**
Revaluation surplus not included in Net Assets		3,236,607	3,315,834
Estimated Fair Value of Net Assets		**9,616,632**	**9,779,084**

PROFIT AND LOSS STATEMENT	NOTE	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
INCOME AND EXPENDITURE			
Bank interest	3(d)	54	409
Other income		61	–
Foreign exchange gain	3(e)	1,568	–
Interest on investments	3(d)	79,870	1,011
Realised gain on investments		726,754	45,381
Partnership expenses		(16,698)	(9,366)
Foreign exchange loss	3(e)	(15,366)	(1,744)
Auditor's remuneration		(302)	(261)
Bank charges		(23)	(22)
NET RESULT FOR THE YEAR		**775,918**	**35,408**

OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

CASH FLOW STATEMENT	NOTE	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
RECONCILIATION OF NET RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Net result for the financial year		775,918	35,408
(Increase)/decrease in receivables		(162)	1,204
Increase/(decrease) in payables		3,375	(1,937)
Deduct realised gain on investments		(726,754)	(45,381)
Deduct interest on investments		(79,870)	(1,011)
Add back realised foreign exchange loss on investments		13,746	1,641
Net Cash Outflow from Operating Activities		**(13,747)**	**(10,076)**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed asset investments		(90,042)	(1,640,027)
Proceeds from redemption of investments		975,029	56,338
Net Cash Inflow/(Outflow) from Investment Activities		**884,987**	**(1,583,689)**
FINANCING			
Drawdowns on Partners' commitments		183,765	1,731,807
Repayment of Partners' commitments		–	(12,843)
Advance of General Partners' Share		(77,027)	(90,320)
Drawdown of short-term loan from the General Partner		1,000	–
Repayment of short-term loan from the General Partner		(1,000)	–
Gross distributions during the year		(955,247)	(40,673)
Net Cash (Outflow)/Inflow from Financing Activities		**(848,509)**	**1,587,971**
Foreign exchange impact	3(e)	(3)	2
NET INCREASE/(DECREASE) IN CASH		**22,728**	**(5,792)**

OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

NOTES TO THE FINANCIAL STATEMENTS

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 L.P. #	24 November 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2 L.P. #	25 November 2004	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 3 L.P. #	23 March 2005	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2a L.P. #	29 April 2005	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners III, L.P. *	19 December 2005	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington L.P. +	3 March 2006	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-II L.P. +	19 May 2006	Terra Firma Investments (DA) II Ltd
Terra Firma Deutsche Annington-III L.P. +	19 May 2006	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4 L.P. #	23 August 2006	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment L.P. #	4 September 2007	Terra Firma Investments (GP) 3 Ltd
TFCP II Co-Investment 4a L.P. #	17 September 2007	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment 2 L.P. #	29 November 2007	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington-IV L.P. +	19 December 2007	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-V L.P. +	19 December 2007	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4b L.P. #	4 August 2008	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment A L.P. #	4 August 2008	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment B L.P. #	2 July 2009	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment 2A L.P. #	24 May 2010	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment C L.P. #	19 November 2010	Terra Firma Investments (GP) 3 Ltd
Terra Firma Special Opportunities Fund I, L.P. ^	12 March 2012	Terra Firma Investments (Special Opportunities Fund I) Ltd

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OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

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

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

2. GENERAL PARTNERS' 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 Partnership does not yet have sufficient profits, any shortfall is funded by payment of an interest-free loan from the Partnership. Such a loan is repayable only out of future allocations of net income or capital gains, but not otherwise. For the Terra Firma Capital Partners II Partnerships, this continues until 27 February 2014.

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 L.P.).

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. The General Partner of these Partnerships also receives a profit share of 1.0 per cent of committed capital per annum payable semi-annually in advance. Where a Partnership does not yet have sufficient profits, any shortfall is funded by payment of an interest-free loan from the 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 Partnership marked ^ receives a profit share of 1.0 per cent of acquisition cost per annum payable semi-annually in advance. Where the Partnership does not yet have sufficient profits, any shortfall is funded by payment of an interest-free loan from the Partnership. Such a loan is repayable only out of future allocations of net income or capital gains, but not otherwise.

	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
Advance of General Partners' Shares at 1 January	574,391	525,884
General Partners' Shares for the year	77,027	90,320
Allocation of current year profit	(106,497)	(41,813)
Foreign exchange impact	(8)	–
TOTAL	**544,913**	**574,391**

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NOTES TO THE FINANCIAL STATEMENTS

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 euro since this is the functional currency of the Partnerships (except for TFCP II Co-Investment 1 L.P. and Terra Firma Special Opportunities Fund I, L.P.) 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 with reference to the IPEV Board's Valuation Guidelines. However, when the General Partner believes that the fair value generated by the application of the IPEV Valuation Guidelines does not reflect the fundamental value of an investment it will disclose an alternative fair value together with details of the departures in methodology compared to the IPEV Valuation Guidelines used to generate the alternative fair value. The fair value or fundamental value of investments is disclosed in aggregate in Note 6 to the financial statements.

(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 euro. 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

OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

Co-Investment 1 L.P. and Terra Firma Special Opportunities Fund I, L.P. have been translated into euro 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, TFCPL and TFCML were appointed to advise the General Partners as to the acquisition, monitoring and realisation of the investments of the Partnerships.

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6. INVESTMENTS

	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS:		
As at 1 January	6,421,602	4,792,654
Additions during the year	90,042	1,640,027
Disposals during the year	(182,151)	(11,587)
Foreign exchange impact	(11,145)	508
COST OF INVESTMENTS AT 31 DECEMBER	**6,318,348**	**6,421,602**
ESTIMATE OF FAIR VALUE	**9,554,955**	**9,737,436**

7. ACCOUNTS RECEIVABLE

	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
Drawdowns receivable	886	371
Recoverable costs receivable	294	133
	1,180	**504**

8. ACCOUNTS PAYABLE

	AGGREGATE 2013 €'000	AGGREGATE 2012 €'000
Costs payable	3,788	413
	3,788	**413**

NOTES TO THE FINANCIAL STATEMENTS

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 advisers, 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.

OUR FUNDS – TFCP II, TFCP III, TFDA, TFSOFI

CURRENCY RISK

The Partnerships generally report in euro and distribute profits to investors in euro.
The Partnerships invest in portfolio companies denominated in euro, US dollars, British pounds 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 and TFCML. Operational oversight of portfolio business companies is maintained and 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
Terra Firma Investments (Special Opportunities Fund I) Limited
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Terra Firma is a carbon neutral business, offsetting emissions resulting from our operations and our business travel.

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