terra firma

Annual Review 2014

Transforming businesses
Delivering value

TERRA FIRMA
TRANSFORMING BUSINESSES
DELIVERING VALUE

LETTER FROM THE CHAIRMAN

LETTER FROM THE CHAIRMAN

July 2015

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

2014 was an exciting year for us. We continued to make significant returns for our investors. In the late spring of last year we distributed to the investors in our Terra Firma Deutsche Annington Fund ('TFDA') the remaining shares it owned in Deutsche Annington, the largest residential real estate business in Germany. This was the final step in the exit from this investment (which had begun one year earlier with the listing of the company on the Frankfurt Stock Exchange) and provided our investors with the option to sell their shares immediately and crystallise the value in them, or to continue to hold on to the shares and benefit from the increase in the share price. At the date of the distribution, the value of those shares was €3.2 billion and on the basis of the subsequent rise in the share price, would at the time of writing stand at approximately €4.2 billion. Investors who did hold on to their shares have achieved a net multiple of 2.2x and an IRR of 12 per cent. This return makes TFDA the most successful European real estate fund of its vintage (2006).

2014 also marked the twentieth anniversary of our business. Since 1994, we have invested over €16 billion in 33 businesses with an aggregate enterprise value of more than €48 billion.

Over these two decades, we have built best-in-class businesses across sectors as diverse as train and aircraft leasing, leisure, utilities, cinemas, residential real estate and renewable energy. 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.

TFDA is the most successful European real estate fund of its vintage

LETTER FROM THE CHAIRMAN

We celebrated this event with an exhibition of the striking images of the planet's terrain that we have used over the years in our Annual Review and other materials.

Finally, Terra Firma won two awards in 2014 for responsible investment and its consideration of Environmental, Social and Governance ('ESG') factors from the British Private Equity & Venture Capital Association. In the category of firms with more than £1 billion under management, Terra Firma won awards for 'Demonstration of active portfolio ESG engagement' as well as 'Demonstration of an ESG framework at firm level'.

PORTFOLIO OVERVIEW

Terra Firma now has a portfolio of ten businesses, which fall into two broad categories – those with well-established business models that have benefited from Terra Firma's ownership, and those businesses where our transformation is ongoing. To begin with the former: Annington, one of the largest owners of residential real estate in the UK, continues to perform well. Annington's fund, Terra Firma Special Opportunities Fund I, has almost doubled in value since 2012 making it a top quartile fund of its vintage. Annington benefits from a very long-term, stable relationship with the Ministry of Defence (the 'MoD'), which has leased its former residential properties from Annington on a 200-year lease, and which is responsible for their upkeep. Annington's business model also involves selling or renting on the open market homes released by the MoD as surplus.

Tank & Rast, Germany's largest motorway service station operator, also has a proven, highly resilient business model. It holds 90 per cent of all motorway concessions in a country that is not only Europe's biggest but also has its busiest motorway network, creating a vast and stable customer base, some 500 million a year. The concessions are for an average of 40 years, which, together with a consistent regulatory framework, create long-term stability and generate significant cash revenues. Tank & Rast's revenues for the full year of 2014 were €506 million, which was ahead of the previous year. The company also managed to reduce further its cost of debt by re-pricing its senior debt in 2014, giving it more cash to invest in its business.

Our aircraft lessor AWAS, one of the world's largest commercial jet aircraft leasing companies, is another well-established and successful business. It generates attractive lease yields through very stable cash flows and has a truly global customer base, with more than 100 lessees in over 45 countries. AWAS had a very strong year in 2014, with revenues of $1,177 million, $102 million ahead of the previous year. We capitalised on this strong performance by initiating a process for the sale of a portfolio of 90 aircraft. This process culminated in early 2015 when Macquarie Group Limited agreed to acquire these assets for a total consideration of $4 billion. Following this disposal, AWAS will continue to own and maintain a diversified portfolio of more than 200 modern aircraft and we will consider opportunities to sell the rest of the business.

LETTER FROM THE CHAIRMAN

EverPower, our US wind power generator, had strong operating performance in 2014 – its full-year revenue of $105 million was 26 per cent higher than in 2013. Availability, a measure of how well wind turbines are performing from an operational perspective, was consistently high throughout the year and across the portfolio and averaged above 98 per cent, a world-class level. EverPower also completed the acquisition of a large operating wind farm, Big Sky in Illinois, contributing an additional 240 MW, taking the total size of the operational portfolio to more than 750 MW.

Rete Rinnovabile ('RTR'), our Italian solar photovoltaic energy generator, had a challenging year in 2014. Despite regulatory changes, RTR performed better than last year after considering the benefit of acquisitions and the implementation of operational efficiencies. Since acquisition, RTR has more than doubled its installed capacity from 144 MWp to 318 MWp. By the end of 2014, RTR had the capacity to produce over 400 GWh of electricity per year from 119 sites, enough for more than 150,000 households. This makes it one of the largest solar energy generation businesses in Europe.

We have been looking at how best to realise the value of Terra Firma's remaining stake in Infinis, the largest independent renewable power generator in the UK. Infinis has just under 600 MW of installed capacity, which generates enough to power over 500,000 households in the UK. It has ambitious growth plans with some 100 MW of new capacity under construction or in an advanced stage of procurement and a commitment to add 130-150 MW of new capacity by March 2017.

Turning to those businesses where our transformation is ongoing, Four Seasons Health Care Group is the largest independent provider of care in the UK. Amid difficult circumstances for the sector which included recruitment constraints for nursing staff and squeezed local authority budgets, an important achievement in 2014 was implementing operational segmentation of the group into three distinct businesses.

Those three businesses are Four Seasons Health Care, which provides personalised dementia and nursing care; brighterkind, which offers a premium care and lifestyle-focused proposition designed primarily for private customers; and The Huntercombe Group, which operates hospitals and specialist units that provide care, treatment and rehabilitation services in areas of mental health and brain injury. We successfully put in place leadership teams for the three businesses in 2014, headed by CEOs Tim Hammond at Four Seasons Health Care, Jeremy Richardson at brighterkind and Valerie Michie at The Huntercombe Group.

LETTER FROM THE CHAIRMAN

In 2014, we completed a successful rebranding of The Garden Centre Group to Wyevale Garden Centres to leverage the historic Wyevale brand name. The business further strengthened its position by acquiring nine new garden centres. The group has been transformed since being purchased by Terra Firma in 2012. EBITDA has more than doubled to over £55 million in 2014, with EBITDA margins increasing to sector-leading levels. Its 148 garden centres across the UK generate almost £300 million in annual sales, more than four times bigger than the next-largest garden centre group in the UK.

Odeon & UCI is a leading pan-European cinema operator with market-leading positions in the UK, Ireland, Spain and Italy. It has 244 cinemas with over 2,200 screens and is opening new state of the art cinemas. Odeon & UCI was negatively impacted by the economic crisis in southern Europe, but a new management team was put in place in 2014 to focus on commercial and operational enhancement. Earnings were hit by a weak slate of films in 2014, along with warmer than average weather and the World Cup taking place, but the business is poised to take advantage of a very strong film slate in 2015, including new Star Wars and James Bond films, and earnings are expected to recover strongly.

Our Australian beef producer, Consolidated Pastoral Company ('CPC'), the largest in the country, has also faced adverse circumstances with severe droughts hitting cattle stock levels in recent years. But it has come through those challenges and conditions are now improving. A new CEO, Troy Setter, was appointed in 2014 and has focused on expanding strategic relationships in the domestic market. With demand for beef forecast to grow significantly in Asia, the business is well-placed for sustained growth in the future. A new trade agreement in China will create interest in the sector and opportunities for CPC.

GLOBAL OUTLOOK

The US and Europe continue to be at different points of the economic cycle. The US has recapitalised its banks, engaged in extensive quantitative easing ('QE'), and enjoyed robust economic growth. It has tapered its QE programme and is now considering tightening through raising interest rates. Meanwhile, with the exception of the UK, Europe has largely still not recapitalised its banks and is only just beginning to start its own QE programme. Growth has been uneven, with the Eurozone core of Germany and its neighbours doing well and the periphery still struggling, although there are signs that countries like Spain and Ireland have turned the corner.

The best opportunities
are now in Europe

LETTER FROM THE CHAIRMAN

So while American stocks may be near their peak, European stocks still have plenty of ground to make up, particularly with the European Central Bank starting its asset purchase programme. Whereas cheap money may be a thing of the past in the US by 2016, it is here to stay in Europe until at least 2019. That is why markets appear to have decided that European stocks are a better bet than American ones, and we agree that the best opportunities are now in Europe.

Meanwhile, Chinese growth is continuing, albeit at a slower pace, and Japan is still pushing its ambitious reform programme supported by massive QE, while many economies dependent on rising commodities prices have been hit. Although emerging markets may be impacted by tightening in the US, there are significant areas of growth across Latin America, Africa and Southeast Asia.

I am, however, worried about the extent to which markets and economies have become dependent on central bank intervention. Rising capital requirements and stricter regulation are preventing banks from increasing their lending to the real economy and many large companies are using their significant cash reserves to deleverage or to buy back shares, but not to invest. Meanwhile savers are being faced with historically low interest rates. The consequence is that the real economy is not receiving the investment that should be driving economic growth; instead it is unconventional monetary policy that is providing the stimulus for that growth. We remain concerned that these asset purchase programmes will not only result in mispricing of assets, the prices of which are being artificially boosted by QE, but ultimately also the creation of systemic risk.

This influx of central bank liquidity has also had significant consequences for the private equity industry globally. With markets at record highs, exits are at record levels and new deals at record lows. There is a severe shortage of good deals on the table. That means that value is best found in under-performing assets, often in complex situations, perhaps facing difficult regulatory issues.

TERRA FIRMA'S APPROACH

These macroeconomic circumstances benefit Terra Firma with its legal, financial, operational and regulatory expertise. Our added value has always been to take poorly performing businesses or assets, often in unloved or misunderstood sectors, and improve or reposition them. In an environment of huge competition and high valuations this is a strategy which is well-placed to make investments with significant value-creating potential.

We have the experience and the people to undertake this strategy and our business transformation track record over the last 20 years proves our ability to do it. We believe in our capacity to deliver, which is why we have historically been the biggest investor in our own funds, having committed more than €800 million over the years.

LETTER FROM THE CHAIRMAN

Of our five funds historically, four have been in carry and so have created, or are creating, significant value for our investors and generated profits for us to reinvest. Over €6.5 billion has been returned to investors with more than €4 billion in profits in the last three years alone, and that means that we now have a considerable amount of capital to deploy.

In fact, we have a total of €1 billion of capital to invest. Applying even conservative leverage, that figure would be much larger. A figure of that size gives us considerable flexibility. We could seed a fund with it, or we could use it to underwrite a deal, or to co-invest. It means that we can get deals done very quickly.

We are not changing our investment philosophy. Our focus will still be on businesses that require fundamental change. We will still utilise our five key drivers to create value in our portfolio businesses. But we do understand that the way many investors invest is changing and that the traditional blind fund model is now only one of several ways to do so.

To understand why this is happening, it is necessary to look at the evolution of the private equity industry globally since its formation in the 1970s, when club deals became the first private funds of the 1980s. In those days, deals were backed by a small number of investors ('Limited Partners' or 'LPs') and the General Partners ('GPs') typically invested a substantial amount of their own money in the funds. There was an almost perfect alignment of interest between GPs and LPs.

The industry now has assets of more than $3.5 trillion, and many of the biggest players are large, global, public companies, some of which have evolved from private equity specialists into broader asset managers. What is striking about the funds that many of these very big firms run is that they usually have far less 'skin in the game' than in the early days of the industry, often less than 1 per cent; and that means that there is less alignment of interest between GPs and LPs.

As a result, many investors have become increasingly sceptical about traditional blind pool funds and have started to look more at direct investments and co-investments. Many of the bigger investors, such as sovereign wealth funds, endowments, and pension funds, have built up their own deal-making capacity. It is now estimated that, whereas for much of its history, the private equity industry was very largely based on the blind pool fund model, it is now 50/50 funds versus deals.

Private equity can play an important role in helping to spur innovation, productivity growth and investment

LETTER FROM THE CHAIRMAN

The private equity industry has also followed other investment management sectors in that as it has evolved, so competition has increased and it has become more difficult to generate alpha. Increasingly, alpha is found by smaller, more niche players, doing more difficult and more specialised things.

Finally, private equity, as an industry, has long been the subject of intense political debate and public interest, and I believe there is now an opportunity for a strong, positive case to be made again for our sector. Many policymakers are concerned about the short-termism that plagues listed companies, with management policy being driven by quarterly earnings as opposed to looking to the long term, and investment for the future is postponed or cancelled. In that respect private equity offers a different model. The right strategy and the right management can be put in place. Decisions can be taken for the long term and the necessary investment can be made. Private equity can therefore play an important role in supporting economic recovery, generating jobs, growth and tax revenues and helping to spur innovation, productivity growth and investment.

CONCLUSION

The past year has been a very fulfilling one for Terra Firma. We have returned a significant amount of money to our investors, having generated substantial returns for them.

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 2014. I would also like to thank the management and employees of our portfolio businesses, along with the Terra Firma team, for their hard work and many achievements this year.

With best wishes,

Guy Hands

LETTER FROM THE CEO

LETTER FROM THE CEO

July 2015

Guy has already presented an overview of our portfolio businesses. I am going to go into greater depth about their financial and operational performance in 2014, and will look at each of our funds in turn.

OUR BUSINESSES

Terra Firma Capital Partners II ('TFCP II') owns four businesses – AWAS, Odeon & UCI, Infinis and Tank & Rast.

AWAS performed strongly in 2014, with revenues rising from $1,075 million in 2013 to $1,177 million and EBITDA rising from $951 million the previous year to $1,081 million. Capital expenditure continued to be significant with $2,070 million spent in 2014 compared with $2,052 million in 2013. The number of aircraft rose from 266 to 314 in 2014, with 90 predominantly narrow-body aircraft being sold this March to Macquarie for $4 billion – a good opportunity for us to generate value for our investors, given current market conditions.

Odeon & UCI faced a difficult year in 2014 given a poor film slate, the presence of a football World Cup and unusually hot weather, all of which caused attendance to fall from 80 million to 79 million. Revenues reflected this, falling from £707 million in 2013 to £657 million in 2014, with EBITDA going from £69 million to £53 million. During 2014, a new senior leadership team was appointed, with Paul Donovan joining as Group CEO, Ian Shepherd as Group Chief Commercial Officer and Mark Way as Group CFO. Their initial strategy review has resulted in new projects focused on customer and site segmentation, marketing, and commercial and operational enhancement.

We continue to look at how best to realise the value of Terra Firma's remaining stake in Infinis, one of the leading independent renewable power generators in the UK.

A public announcement about Tank & Rast was made in March confirming that we are exploring strategic options which may result in a sales process. Advisers have been appointed. The business continued to perform well in 2014, with revenue rising from €482 million in 2013 to €506 million and EBITDA steady, at €236 million compared with €235 million in 2013.

Terra Firma Capital Partners III ('TFCP III') owns six businesses – AWAS, CPC, EverPower, Four Seasons Health Care, RTR and Wyevale Garden Centres. I have already mentioned AWAS in the section above.

LETTER FROM THE CEO

CPC showed considerable improvement in its performance in the financial year ending March 2015, with EBITDA of A$22 million compared with A$1 million the previous financial year. Full year revenue of A$64 million was flat year on year as the business took the decision to delay sales in order to take advantage of expected increases in prices later in the year. CPC appointed a new CEO, Troy Setter, in July 2014.

EverPower was a strong performer in 2014, benefiting from the acquisition of the Big Sky wind farm in Illinois. Revenues increased from $83 million in 2013 to $105 million in 2014 while EBITDA rose from $54 million to $65 million over the same period. Capital expenditure increased significantly from $2 million to $10 million, mainly due to expenditure on a development project.

The Four Seasons Health Care Group faced a very difficult market in 2014, with nationwide trends like higher nursing staff costs, challenging local authority budgets and increased regulatory scrutiny impacting revenues and EBITDA. Revenues were up slightly from £736 million in 2013 to £765 million in 2014 while EBITDA fell from £99 million to £79 million. Operational segmentation of the group into three separate businesses was achieved and new CEOs and their teams appointed.

RTR performed well in 2014 despite changes to regulation and subsidies in Italy. Revenues increased from €148 million in 2013 to €157 million in 2014, with EBITDA rising from €122 million to €128 million. Its generation capacity increased from 395 GWh to 414 GWh.

Wyevale Garden Centres also performed well in 2014, with revenues up from £276 million to £290 million, and EBITDA rising from £43 million to £56 million. That means EBITDA has now doubled in two years of Terra Firma ownership. The business made a major investment in capital expenditure, which rose from £13 million in 2013 to £32 million in 2014, as the business successfully rebranded and refurbished its stores.

The Annington Homes investment is held by Terra Firma Special Opportunities Fund I. Revenues (£179 million) and EBITDA (up from £174 million in the financial year ending March 2014 to £177 million in the financial year ending March 2015) were consistent with the previous year, a good result given rents did not increase.

We now have a very significant amount of committed capital to spend

LETTER FROM THE CEO

The Deutsche Annington investment was held by the Terra Firma Deutsche Annington fund, and was successfully exited in 2014 through the in specie distribution which Guy outlined in his letter.

DEAL ORIGINATION AND EXECUTION

Our substantial investment in portfolio businesses in recent years has meant that the team has been focused more on deal execution than origination. But as Guy explained in his letter, we now have a very significant amount of committed capital to spend, €1 billion.

That means that our focus in the future will be on sourcing deals, on being entrepreneurial and opportunistic. It also means that we must be creative about how we do so, and offer investors flexibility in terms of the right investment structures. That impacts our Deal Teams, but also our Investor Relations team.

We are moving from a model where we raise traditional funds and then spend them to one in which as well as raising those traditional funds, we are also working closely with investors on direct investments and co-investments, and that requires an agile and engaged skill-set on our side. Going forward, we will ensure that our organisation has the right structures and people to meet this challenge.

Best wishes,

Tim Pryce

Our focus in the future will be on sourcing deals, on being entrepreneurial and creative

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White Pocket, Vermillion Cliffs National Monument, Arizona, USA

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 €48 billion and followed a consistent and distinctive approach to investment. We buy asset-rich businesses 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 March 2015

Guy Hands

Through transforming the strategy, operations, finances and management of our businesses, we make them best-in-class

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 and create value for our stakeholders.

EXECUTIVE SUMMARY

OUR INVESTMENT STRATEGY

Terra Firma means 'solid ground', reflecting our distinctive approach to investment. Since 1994, we have followed a consistent investment approach which has worked through economic cycles. This approach is not dependent on financial engineering or rising markets, although they may create further upside. Our goal is to build best-in-class businesses that are on 'solid ground' and generate superior returns by transforming their strategy, operations, finances and management.

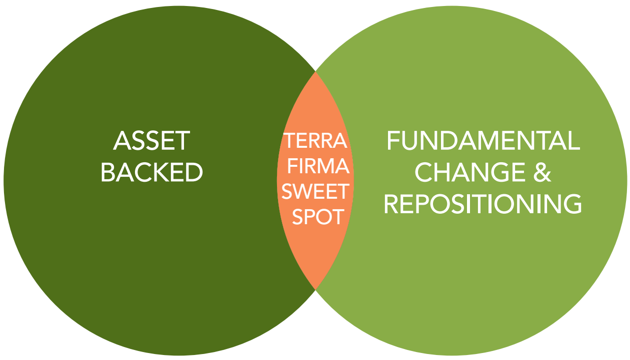
Our investment process starts with our view of what is happening at the macro and global level. From there we identify how these trends could create opportunities and look for businesses that we believe are well-positioned to seize them, and which match our two investment characteristics: that they are asset backed and require fundamental change.

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. We also look to acquire companies that have been overlooked, are underperforming or whose performance can be significantly improved. These may be in sectors that are out-of-favour or businesses that have been under-managed or under-capitalised.

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 have invested in many businesses across a number of sectors including energy and utilities, infrastructure, affordable housing, leisure/hospitality, agriculture, healthcare and asset leasing.



We drive transformational change through intensive, hands-on intervention

EXECUTIVE SUMMARY

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 perspective. 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.

Shortly after acquiring ***Four Seasons Health Care Group****, Terra Firma embarked on a detailed and comprehensive review of the business. The result was a strategic plan to segment the group into three separate businesses, each with its own strategy, operational plan and management team. The largest of the businesses, Four Seasons Health Care, is focused on delivering quality nursing, residential and respite care, and the provision of best-in-class dementia care. The private-resident focused business has been rebranded to brighterkind and will provide hotel-standard services to residents. The Huntercombe Group will continue to operate independently and focus on specialty care. The overall strategic plan will allow each business to provide its core group of customers with a higher quality of care and better service.*

EXECUTIVE SUMMARY

OUR INVESTMENT STRATEGY

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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.

*Under Terra Firma's ownership, **Odeon & UCI** has grown to a leading pan-European cinema operator. Post-acquisition, Terra Firma brought in a fresh management team to focus on growing the business through acquisitions as well as improving operations. In 2014, as part of a planned management succession, Terra Firma brought in a new CEO, CFO and Chief Commercial Officer and conducted an in-depth strategic review to position the business for the next phase in its growth trajectory. A key element of focus for the new management team is on enhancing customer experience and increasing the customer offering.*

3

DEVELOPING THROUGH CAPITAL EXPENDITURE

We are prepared to invest substantial sums in our businesses to transform them and 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 €11 billion of capital expenditure has been undertaken by the portfolio businesses included in this Annual Review[1].

***AWAS** continued to grow its fleet in 2014 adding 61 aircraft to give it over 300 aircraft at the end of its financial year. The business's capital expenditure is focused on a mixture of new aircraft, via a delivery pipeline, and through the active secondary market for aircraft. This approach allows it to capitalise on aircraft investment and disposal opportunities and, as part of this active approach, the business sells off aircraft as they get older in order to improve the return on the portfolio.*

[1] Aggregate capital expenditure for all portfolio businesses up to 31 December 2014

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 improve their position within their industries to realise synergies. Since 1994, Terra Firma has invested in 33 businesses and executed over 60 additional bolt-on acquisitions to build them.

*Since Terra Firma's asset-only acquisition in 2011, **RTR** has grown in scale through a 'buy and build' strategy. After the initial acquisition, Terra Firma built a company around the original assets, putting in place systems, processes and a senior management team in order to create a platform to integrate further acquisitions. Five acquisitions (totalling 174 MWp) have since been completed, giving the business 318 MWp of generating capacity across 119 sites and strengthening RTR's position as one of the largest solar energy generators in Europe.*

5

LOWERING THE COST OF CAPITAL

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.

*Since its acquisition by Terra Firma, **Tank & Rast** has taken several measures to reduce its cost of capital. In 2013, despite challenging debt market conditions, the business refinanced €2.1 billion of existing debt, achieving a reduction in total interest costs of 60 basis points. In 2014, the business took advantage of strong debt markets to re-price its debt, further reducing interest costs and freeing up additional cash flow for investment in the business through capital expenditure.*

OUR BUSINESSES

OUR BUSINESSES

2014 was a year where we focused on building scale in our businesses, improving their operations to cope with industry challenges and, for our more mature businesses, preparing them for exit.

Growth through acquisition played a prominent role in 2014. EverPower increased its generating capacity by nearly 50 per cent through its large acquisition of the Big Sky wind farm and Four Seasons Health Care Group added seven care homes to brighterkind, its private care business. Wyevale Garden Centres continued to expand its national presence through the acquisition of nine sites and AWAS grew its fleet to over 300 aircraft through a combination of acquisitions and new aircraft delivery.

Overall, our businesses performed well during the year, despite some of them facing ongoing industry challenges. Odeon & UCI encountered a difficult trading environment, while RTR and Four Seasons Health Care Group came across regulatory challenges. However, we have worked closely with our portfolio businesses on improving their operations to ensure that they are robust enough to withstand such difficulties.

Following their respective IPOs in 2013, Infinis and Deutsche Annington continued to perform well operationally. In the first quarter, Deutsche Annington announced the agreement of two major acquisitions, which added more than 41,000 units to its portfolio. In May 2014, we carried out an innovative distribution in specie for our holding in Deutsche Annington, thereby fully exiting the business and concluding a successful investment for our investors.

FINANCIAL POSITION

We took advantage of the continuing favourable debt markets during the year to refinance and re-price existing debt in some of our businesses.

Following the successful €2.1 billion refinancing in 2013, Tank & Rast was able to re-price its senior debt in 2014, thereby freeing up a significant amount of cash flow which will be used to reinvest across the motorway service stations and other projects.

Annington completed the refinancing of its Rentals division’s debt facilities into a single facility which will allow it increased flexibility to optimise its third party rentals portfolio.

Four Seasons Health Care Group increased its term loan facility by £25 million to help fund an acquisition for its brighterkind portfolio and, later in the year, successfully converted a revolving credit facility into a three-year term loan which will give the business increased flexibility. Meanwhile, Wyevale Garden Centres secured an additional £40 million facility to help fund capital expenditure and acquisitions along with a re-pricing of part of its existing debt.

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.

EXECUTIVE SUMMARY

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 sustainable growth rather than short-term profit.

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.

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.

OPERATING PERFORMANCE

Our portfolio businesses showed a solid operational performance in 2014 and most companies reported year-on-year improvements in EBITDA (see table below).

EBITDA BY PORTFOLIO BUSINESS	CURRENCY	2013	2014	% INCREASE / (DECREASE)
Annington[1,2]	£m	174	177	2%
AWAS[3]	$m	951	1,081	14%
CPC[1,2]	A$m	1	22	nm[5]
Deutsche Annington[4]	€m	431	500	16%
EverPower	$m	54	65	21%
Four Seasons Health Care Group	£m	99	79	(20%)
Infinis[1]	£m	148	143	(4%)
Odeon & UCI	£m	69	53	(23%)
RTR	€m	122	128	5%
Tank & Rast	€m	235	236	0%
Wyevale Garden Centres	£m	43	56	32%

[1] Based on 12 months to March 2014 and March 2015
[2] Unaudited figures
[3] Based on 12 months to November 2013 and November 2014
[4] EBITDA IFRS. Included for the full financial year, but exited in May 2014
[5] Not meaningful

OUR BUSINESSES

OPERATING PERFORMANCE

ANNINGTON

Annington successfully concluded its 2014 rent review with the MoD, achieving a significant uplift on the relevant tranche of properties. Annington continued to optimise the value from properties that are released as surplus by the MoD through sale, rental or development. Annington sold 310 units in its financial year to end March 2015.

AWAS

2014 was a landmark year for AWAS as its portfolio reached over 300 aircraft after acquiring more than 60 aircraft during the year, through pipeline deliveries and acquisitions in the secondary market. This resulted in robust growth in 2014, with revenue in excess of $1 billion and EBITDA exceeding $1 billion for the first time.

CPC

CPC focused on optimising its operations in 2014, following the severe drought conditions experienced the previous year. CPC's management team were proactive in preparing the business for these challenging conditions by moving cattle to stations with better pastures and supplementing feed where necessary. These activities allowed the business to maximise sales and prices in the latter half of the year when conditions had improved and market prices had increased. As a result, CPC's financial year to March 2015 finished strongly.

DEUTSCHE ANNINGTON

Following Deutsche Annington's listing on the Frankfurt Stock Exchange in 2013, we focused on finding a route to full exit in 2014. After positioning the business for further growth via acquisitions, Terra Firma distributed the shares in Deutsche Annington to its investors, allowing them the flexibility to choose to remain invested in the continued successful growth story of the business or to realise the value that has been created.

EVERPOWER

EverPower strengthened its position as one of the largest wind energy generators in the US through the acquisition of the Big Sky wind farm in April 2014. Big Sky increased EverPower's generating capacity by nearly 50 per cent to 752 MW. The wind farm has been integrated into the EverPower portfolio and is operating well. Operational performance remained robust throughout the year, and the business continued to progress its development pipeline.

FOUR SEASONS HEALTH CARE GROUP

Following the reorganisation of the Four Seasons Health Care Group into three businesses in 2013, brighterkind, The Huntercombe Group and the core Four Seasons Health Care business all focused on delivering their new strategic plans. In 2014, a CEO was appointed for each business and their respective management teams were strengthened to ensure delivery of the operational changes that have been mapped out. Overall, the group faced a challenging trading environment with increased regulatory scrutiny impacting financial performance.

EXECUTIVE SUMMARY

INFINIS

Infinis progressed its onshore wind development pipeline in 2014 as construction commenced on the 43 MW A'Chruach wind farm, along with procurement processes for another development project, Galawhistle. The business paid a final dividend for the year to March 2014 and an interim dividend for the year to March 2015 in line with its stated dividend policy at the time of listing in 2013. Terra Firma continues to hold a majority stake in the business.

ODEON & UCI

2014 was a weak year for cinema attendance; with market attendance across Odeon & UCI's territories lower than the prior year, partly reflecting the scheduling of films into 2015 because of the football World Cup, warmer than average weather, and some underperforming films from a slate already lacking blockbuster titles. This tough trading environment impacted the business's performance in 2014. A new senior leadership team was appointed during the year and a strategic review of the business was undertaken. Projects resulting from this review are focused on customer and site segmentation, marketing, and commercial and operational enhancement.

RTR

RTR delivered a solid operational performance in 2014 and acquired two plants early in the year which were successfully integrated into the portfolio. However, despite a successful year from an operational and growth perspective, the business faced a toughening regulatory climate as legislation was passed to reduce feed-in premium incentives which come into effect in 2015. Cost-saving initiatives have been implemented in order to help mitigate their effect.

TANK & RAST

Subsequent to the successful refinancing of the business in 2013 and the re-pricing of its loan in June 2014, the team has focused on identifying future development initiatives into which it can reinvest the additional cash flow derived from these lower interest costs. Over the course of the year, the business extended its Sanifair operations off the autobahn to 88 sites, continued to improve the customer experience by updating its food offering and acquired two new autohöfe sites (service stations off the autobahn).

WYEVALE GARDEN CENTRES

Wyevale Garden Centres continued to increase its national presence in 2014, acquiring nine sites to bring its portfolio to 148 sites at the end of the year. The business continued to improve its customer offering, which included the roll-out of its in-house 'Coffee Ground' concept, a restaurant refurbishment programme and widening its range of products through well-known concession partners. Operational improvements and changes put in place led to a strong financial performance in 2014. Towards the end of the year, the rebranding of the business began, with the adoption of 'Wyevale Garden Centres' as its umbrella brand.

EXECUTIVE SUMMARY

VALUE CREATION – THE CPC STORY

EXECUTIVE SUMMARY

BEEFING UP PERFORMANCE

Since acquiring CPC in 2009, Terra Firma has set about transforming this family-run business into a well-capitalised organisation with a more commercial, acquisitive and international mind-set. Today, CPC is Australia's largest privately held producer – it owns one per cent of the country's land and has around 370,000 head of cattle across 20 stations.

Terra Firma's strategy to add value to the business has been focused on driving up quality and scale. It has added new personnel, invested in infrastructure and genetics programmes, forged new relationships and made opportunistic asset purchases. All of these efforts have ensured that CPC is now well-positioned to meet demand across the Asia Pacific region that is expected to grow by around 65 per cent in the next decade.

STRENGTHENING THE MANAGEMENT TEAM

One of the first post-acquisition goals was to augment CPC's vastly experienced management team. A number of new senior hires have been made, including a new CEO and several regional operations managers. CEO Troy Setter joined in 2014 from Australian Agricultural Company where he was COO, bringing more than 20 years' experience in agribusiness. At the same time, a new HR programme was put in place to support recruitment and attract the best talent throughout the network.

IMPROVING OPERATIONAL STRATEGY

CPC's operational strategy has seen improvements across the board, from breeding and growing cattle to the marketing of the final product.

BREEDING, GROWING AND FINISHING

CPC has invested in a new genetics programme to drive up the quality of cattle and their subsequent value to market. This is being introduced to the breeder herd of over 150,000 head that is located across the Queensland, Northern Territory and Western Australia properties. In terms of growing and finishing, live export cattle are sold younger and at lower weights in order to be feedlot finished more economically at their Asian destinations.

MARKETING

CPC's sales channels see it export predominantly processed beef from Northern Australia across South East Asia to the Middle East, North Africa and the US. It also sells direct to independent custom feeds. Its strategy now is to strengthen its relationships in Asia and investigate acquisitions and joint ventures that provide more profitable direct access to this valuable and growing marketplace.

EXECUTIVE SUMMARY

VALUE CREATION

INVESTING IN EXISTING STATIONS

CPC has reversed a trend of under-investment to improve the company's cattle stations and to increase their cattle-carrying capacity. Significant capital expenditure has seen new watering points, build yards and laneways created, and many miles of fencing erected to bring more land into production.

ACQUISITION AND DIVESTMENT STRATEGY

Working with Terra Firma, CPC's new management team has also leveraged its substantial merger and acquisition execution expertise. The fragmented nature of the industry, with many station owners lacking the resources to benefit from the changes in the sector, has provided an excellent opportunity to grow the business through acquisitions.

The company has acquired six new properties since Terra Firma's original investment, increasing CPC's existing platform by 74,000 head of cattle. 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, offering defensive possibilities in times of adverse climatic conditions.

At the same time, CPC has identified under-performing properties – whether due to scale or factors such as rainfall volatility – that are now earmarked for sale and replacement with higher yielding, strategically located assets.

REDUCING RISK

CPC has been placed on a much more secure footing thanks to greater geographical diversity and lower price volatility. With its operations spread across a wide region of Australia, the business is less subject to the vagaries of weather, while its partnerships in Asia and further along the supply chain help to mediate sales prices.

DIVERSIFYING

The company is not just diversifying in a geographical sense; it is also exploring a number of alternative revenue streams for its substantial land holdings. They include earmarking properties for waste management, carbon capture and tourism (such as fishing and adventure tours).

EXECUTIVE SUMMARY

CPC has been placed on a much more secure footing thanks to greater geographical diversity and lower price volatility

LOOKING AHEAD

Future strategy at CPC is very much about maintaining momentum and continuing to add value in every aspect of the business. The company is further developing its relationships in South-East Asia and pursuing other potential direct sales opportunities in growing markets such as China, Malaysia and Cambodia. Specifically, it is progressing on its goal of consolidating its interest in its existing Indonesian joint venture. On station, work is ongoing to reduce the age of CPC's herd, enhance herd efficiency and use genetics to improve the quality of output. This work is being supplemented by continuing investment in station infrastructure and funds being set aside to acquire new assets, from distressed single sellers to large-scale portfolios.

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 three 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, and Terra Firma Special Opportunities Fund I ('TFSOFI') which is a specialist UK residential real estate fund.

Terra Firma Deutsche Annington ('TFDA'), which is a specialist German residential real estate fund, exited its investment in Deutsche Annington in May 2014 and therefore is no longer an active fund.

Terra Firma's investors invest as limited partners within the funds, with the day-to-day affairs of each partnership 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 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.

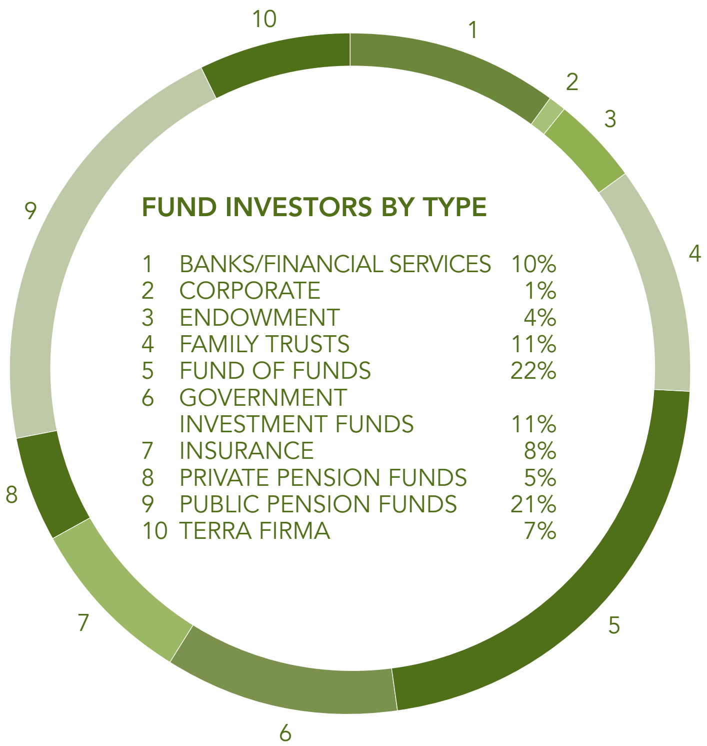
OUR PEOPLE

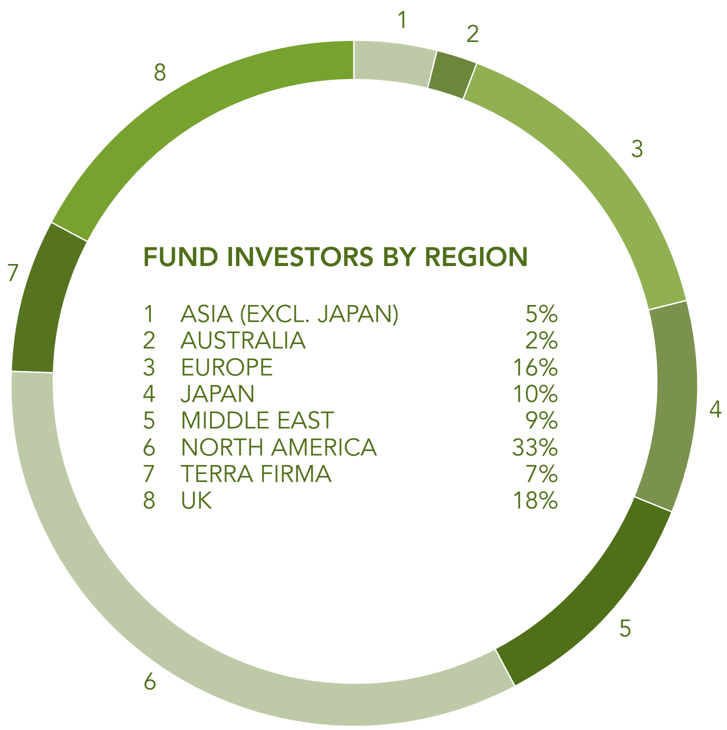
We hire people who have a passion for businesses and making businesses better. Looking at things differently, with a fresh perspective, is part of our culture and embedded in the way we work. We believe that having an in-house team with a wide variety of skill sets, backgrounds and experience is the 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 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.

The success of our businesses helps to provide enhanced income for all our investors





SENIOR MANAGEMENT COMMITTEE

The Senior Management Committee has worked closely together since Terra Firma was spun out from Nomura in 2002. It is responsible for the firm's strategic direction, stakeholder relations, personnel and corporate responsibility. Comprised of our most senior executives who bring complementary skills to the investment review process, it draws 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 leading pioneer in the development of securitisation, 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'). PFG went on to undertake ground-breaking deals involving trains, housing and pubs, among other areas, using securitised debt to finance acquisitions. 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 €48 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 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 and supports the college's Annual Hands Lecture. He is also 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 CEO. 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 Chairman of the Board of Terra Firma's main advisory company. He is also the Chairman of the Sustainability Committee.

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 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 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.

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
Managing Director

Robbie joined Terra Firma in 2009 and is currently responsible for two portfolio businesses. He is Chairman of Odeon & UCI and is a director of Four Seasons Health Care Group. Until July 2013, Robbie was Deputy Chairman 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.

EXECUTIVE SUMMARY

Mike Kinski
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 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 which included being 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. and 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 an honorary doctor and was a visiting professor at Middlesex University.

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
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 Wyevale Garden Centres.

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

Steven Webber

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 Health Care Group, and sits on the board of each of these businesses. Steven also worked on the acquisition of Wyevale Garden Centres.

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.

Ingmar Wilhelm

Managing Director

Ingmar joined Terra Firma in 2014 to focus on the firm's renewable energy investments. He sits on the board of RTR.

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 joined 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.

EXECUTIVE SUMMARY

Julie Williamson
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 Wyevale Garden Centres and Tank & Rast, and was responsible for Tank & Rast's refinancing in 2006 and its partial exit in 2007. Julie was also heavily involved in the group's pub businesses. Julie currently sits on the boards of Wyevale Garden Centres 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.

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

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 current 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

RESPONSIBLE INVESTMENT

Private equity investments have an impact beyond the financial returns that can be generated for investors. We believe that being a successful investor naturally includes the consideration of non-financial factors, such as environmental and social impacts and good governance ('ESG'), since these can be important risks and opportunities for both day-to-day operations and for longer-term growth and business sustainability.

Julie Williamson

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

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 Tim Pryce, CEO 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.

We are delighted to report that our efforts to develop and implement our responsible investing approach have been recognised by the British Private Equity and Venture Capital Association ('BVCA'), which recently awarded us both of its 2014 BVCA Responsible Investment Awards for firms with over £1 billion under management.

TRANSPARENCY AND STAKEHOLDER INTERACTION

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.

Ryan Macaskill, Robbie Barr

A report published in July 2014 by the Guidelines Monitoring Group – the group created to monitor private equity firms' compliance with the Walker guidelines – featured three of Terra Firma's businesses as examples of good disclosure. In total, five examples from Terra Firma businesses were used within the report.

Terra Firma is active in the development of industry best-practice, principally through the BVCA 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-supported Principles for Responsible Investment.

We provide in-depth reporting about both our operations and those of our portfolio businesses

PORTFOLIO BUSINESS REVIEW

02

Lake Powell, Arizona, USA

PORTFOLIO BUSINESS REVIEW

INTRODUCTION

ANNINGTON	UK residential housing – sales and rentals
AWAS	Worldwide aircraft leasing
CPC	Australian cattle farming
DEUTSCHE ANNINGTON	German residential housing – sales and rentals
everpower	US wind power
Four Seasons HEALTH CARE	UK elderly and specialist healthcare
infinis	UK renewable energy
ODEON & UCI CINEMAS GROUP	Pan-European cinema operator
RTR RETE RINNOVABILE	Italian solar energy
TANK & RAST	German autobahn services
Wyevale garden centres	UK plant and garden-focused retailer

Creating value in businesses through transformation and sustained investment

PORTFOLIO BUSINESS REVIEW – ANNINGTON

ANNINGTON IS ONE OF THE LARGEST PRIVATE OWNERS OF RESIDENTIAL PROPERTY IN THE UK

41,000

HOMES

PORTFOLIO BUSINESS REVIEW – ANNINGTON

Annington has sold more than 17,300 homes, the majority of which have been to first-time buyers

YEAR END: 31 MARCH	2014	2015
Revenue	£179m	£179m
EBITDA	**£174m**	**£177m**
Capital expenditure	£1m	£4m
Units sold	435	310

PORTFOLIO BUSINESS REVIEW – ANNINGTON

INVESTMENT RATIONALE

Annington was created in 1996 to acquire more than 57,400 residential properties from the Ministry of Defence (the 'MoD'), the majority of which were immediately leased back to the MoD on a 200-year lease. Annington refurbishes and sells or rents on the open market those homes released by the MoD as surplus to their needs.

The business now owns approximately 41,000 homes, the majority of which are still leased to the MoD.

CREATING VALUE

TRANSFORMING STRATEGY

The strategy for the newly-created business had three objectives:

- Establish an effective 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.

Annington created a flexible sales organisation 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 17,300 homes to the public, with the majority sold to first-time buyers, and many to Service or ex-Service personnel. Annington has built on the strength of its relationship with the MoD by acquiring units for lease on the open market, where returns are attractive, to meet the MoD's fluctuating needs. In addition, since 2004, Annington has built or achieved planning permission for more than 2,500 new homes, of which more than 1,000 have been affordable homes.

Annington operates across three business divisions:

- Annington Homes manages the core business of renting around 39,000 properties to the MoD along with the refurbishment and sale of homes on the open market;
- Annington Rentals owns over 1,400 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.

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 dedicates substantial investment to creating an attractive environment and 'street scene' around the properties.

PORTFOLIO BUSINESS REVIEW – ANNINGTON

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

The stable government-backed rental cash flow from the leased estate, along with proceeds from the sale of properties released, and Annington's impressive track record have enabled the business to maintain an appropriate level of leverage at an attractive cost.

CURRENT FINANCIALS

Annington generated £179 million of revenue in the full year to March 2015, matching the prior year. The business was able to maintain revenues, with rental uplifts offsetting a lower number of units as the result of releases by the MoD.

Annington sold 310 properties during the year compared with 435 in the previous financial year as release levels and hence stock levels remained low.

EBITDA for the year was £177 million, £3 million above the prior year. This was largely due to increased profits from Annington's joint ventures with developers as well as higher profits from sales of properties. Costs for the business were modestly higher than the prior year.

During the year, Annington had capital expenditure of £4 million, which was used to redevelop 45 units at Balham, London, creating 29 new units and refurbishing all the existing units.

CURRENT DEVELOPMENT PLAN

When surplus properties are released by the MoD, they are refurbished and rented or sold by Annington on the open market. It also bulk leases properties to selected qualified counterparties (such as housing associations) where redevelopment is anticipated pending planning consent.

Annington's operational strategy is largely unchanged from previous years. The business will continue to examine and benefit from the best options on a site-by-site basis and continue to operate dual sales and rental strategies where appropriate, whilst presenting a flexible approach to the MoD.

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 a Finance Director 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 Annington 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

The Annington Challenge – educating and inspiring young people

A participant sponsored by The Annington Trust undertakes The Annington Challenge at Ullswater

PORTFOLIO BUSINESS REVIEW – ANNINGTON

The Annington Trust has, for the past three years, sponsored young people from the Service communities on Outward Bound Trust courses at various locations, known as 'The Annington Challenge'. These dynamic and immersive programmes encourage young people to make new friends and develop numerous skills, including leadership, teamwork and problem solving in an inclusive and supportive environment.

Sophie, a teenage student who studies in Catterick, took part in an exciting eight-day trip in August 2014. She says: "During the trip we undertook many activities such as rock climbing, rowing and freshwater swimming. We also went on a challenging three-day expedition, walking with our backpacks up steep mountains and hills. I learned lots of new tips, tricks and facts throughout the trip, like tying ropes and how to cook with rations, and it has taught me many life skills. I think that this was one of the best trips I've been on."

Sophie, who is now training to be a lifeguard, notes: "My dad is a Battery Sergeant Major and I think he was impressed with everything I had achieved."

Craig, a teenage student who studies in Alnwick, took part in an inspiring three-week course in 2014, comments: "In between the expeditions, we were taught a range of survival techniques and took part in many activities including sailing, gorge scrambling and canoeing, but my favourite was the multi-pitch rock climbing!"

As well as a range of outdoor activities, each course also involves a community session which helps to rebuild damaged areas, raising awareness of local ecology. Craig notes: "We helped to re-lay a path across the hillside using rocks from the surrounding area to stop the erosion caused by walkers. It was a great adventure and I would recommend it to others."

Craig's instructor on the course reported of his progression throughout the three weeks and the invaluable learning experiences he gained. Since returning from The Annington Challenge, Craig's school teacher has reported of the advancement he has made, improving academically and becoming more confident.

The Annington Challenge has taught me many life skills

Sophie, Catterick

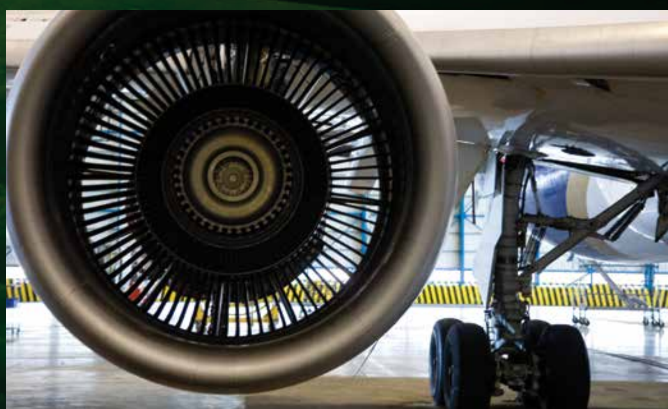
PORTFOLIO BUSINESS REVIEW – AWAS

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

AWAS

300

MORE THAN 300 AIRCRAFT ON LEASE



PORTFOLIO BUSINESS REVIEW – AWAS

AWAS added 61 aircraft to its fleet in 2014

YEAR END: 30 NOVEMBER	2013	2014
Revenue	$1,075m	$1,177m
EBITDA	**$951m**	**$1,081m**
Operational Profit Before Tax[1]	**$300m**	**$333m**
Capital expenditure	$2,052m	$2,070m
Number of aircraft	266	314

[1] Pre 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. Subsequently, Terra Firma acquired Pegasus and merged the two businesses. We saw the aviation transportation sector as an essential part of economic development, with the world fleet expected to double by 2034 and demand for leased assets 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 no real risk management framework and 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. The subsequent acquisition of Pegasus added a further 80 planes to the asset base and diversified the portfolio.

STRENGTHENING MANAGEMENT

The management team was strengthened 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 and Pegasus's operations were folded into this. AWAS has become an efficient scalable platform with around 130 people managing over 300 aircraft.

DEVELOPING THROUGH CAPITAL EXPENDITURE

AWAS invested in a significant delivery pipeline with Airbus and Boeing for over 100 modern, fuel-efficient aircraft. With 33 new aircraft delivered in 2014 and 28 other aircraft acquired from airlines and other lessors, the asset base of the business continues to grow and strengthen.

AWAS successfully raised over $500 million of additional equity in 2011, allowing the business to be active in acquiring assets in the market, as well as to fund a new order pipeline.

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 trading strategy, the business opportunistically sells off aircraft in order to enhance returns and as part of its planned end-of-life asset strategy.

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. AWAS continues to acquire portfolios of aircraft to provide customers with flexible solutions.

LOWERING THE COST OF CAPITAL

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 has been actively managed through the introduction of debt financing for pre-delivery payments along with unsecured debt and bond issuances.

The business has been very active in the debt market, providing it with significant resources

PORTFOLIO BUSINESS REVIEW – AWAS

to grow the business. In 2014, AWAS put in place a revolving credit facility for $435 million which offers the business additional flexibility to finance aircraft quickly before securing long-term financing.

CURRENT FINANCIALS

AWAS performed strongly during the financial year ending November 2014. Revenue of $1,177 million was $102 million above the prior year with the key driver being a larger fleet size, growing from 266 aircraft to 314 at year end.

Operating costs were broadly in line with 2013, leading to EBITDA of $1,081 million, above the previous year by $130 million.

Operating Profit Before Tax ('OPBT' – AWAS's bottom-line measure of operating performance which reflects depreciation and interest costs) was $333 million in 2014, $33 million above the prior year. The 2013 and 2014 OPBT figures exclude asset impairment charges.

Capital expenditure in 2014 was $2,070 million as the business continued to invest in growing its fleet.

CURRENT DEVELOPMENT PLAN

In addition to the ongoing growth in global air passenger travel observed by the International Air Transport Association ('IATA'), which for 2014 was reported to be 5.8 per cent, the fall in oil prices should stimulate economic activity and passenger demand in 2015. Indeed, IATA forecasts passenger traffic to grow by 7 per cent in the year.

AWAS has a further ten aircraft on order primarily due to be delivered in 2015, following 33 deliveries in the year ending November 2014. In addition, 28 aircraft were added through purchase and leaseback and trading activities. These transactions allowed AWAS to further strengthen its position in the secondary market.

In March 2015, Terra Firma and AWAS announced the sale of a portfolio of 90 aircraft. The portfolio being sold comprises a fleet of 90 young, predominantly narrow-body aircraft. The business also has plans to dispose of a number of aircraft in order to optimise asset concentrations and to manage aircraft approaching the end of their life. AWAS will continue to own and maintain the core of its remaining diversified portfolio of more than 200 modern aircraft.

PORTFOLIO BUSINESS REVIEW – AWAS

Lorenzo Levi, Werner Seifert

Simon Glass

MANAGEMENT

Dr. Werner G. Seifert
Chairman and Interim CEO
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. Werner has been interim CEO since June 2015.

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.

PORTFOLIO BUSINESS REVIEW – AWAS

On the road to beating preventable blindness in Africa

AWAS employees en route to support the Great Ethiopian Run

PORTFOLIO BUSINESS REVIEW – AWAS

AWAS has been supporting the work of ORBIS Ireland, an innovative sight-saving charity, since 2008. This year, the company has teamed up with industry partners, customers and Africa's biggest road race to raise the profile of the charity's important work still further.

ORBIS Ireland is focused on curing preventable blindness in Ethiopia, a country where over a third of children are affected by a blinding eye disease called trachoma. 1.2 million Ethiopians are blind, while a further 2.7 million suffer from a visual impairment. All funds that ORBIS Ireland raises go towards its goal of eliminating this cruel disease and restoring sight to the most rural villages in Ethiopia.

AWAS's latest fund-raising drive was focused on the Great Ethiopian Run. Established by legendary Ethiopian long distance runner Haile Gebrselassie, this race sees 35,000 people take to the streets of Addis Ababa annually and complete a challenging 10k course at over 10,000 ft above sea level. As well as attracting world-class runners, it is also a fun and team-building event that raises a great deal of money for charities working in this part of Africa. Since 2008, €650,000 has been raised to support ORBIS's work alone and AWAS was committed to adding to this impressive total in 2014.

Working with its industry partner Boeing, AWAS set about helping its long-term customer Ethiopian Airlines to become a premiere sponsor for the event. This was a role that would do a great deal to help raise awareness and funds for ORBIS and its sight-saving efforts across the country.

Tewolde GebreMariam, CEO Ethiopian Airlines commented, "We are very proud to be a premiere sponsor of the Great Ethiopian Run and applaud ORBIS Ireland's tireless efforts to eliminate preventable eye disease across Ethiopia."

This latest fund-raising initiative builds on a strong and growing partnership between AWAS and national flag carrier Ethiopian Airlines. Most recently this has seen AWAS work with the airline on a sale and leaseback arrangement that enabled it to upgrade its fleet. The company has also been helping Ethiopian Airlines to transition a number of aircraft that no longer fit its fleet requirements.

AWAS used the Great Ethiopian Run to help raise awareness of ORBIS and its sight-saving efforts across the country

PORTFOLIO BUSINESS REVIEW – CPC

CPC IS THE LARGEST PRIVATE BEEF PRODUCER IN AUSTRALIA

CPC

371,000

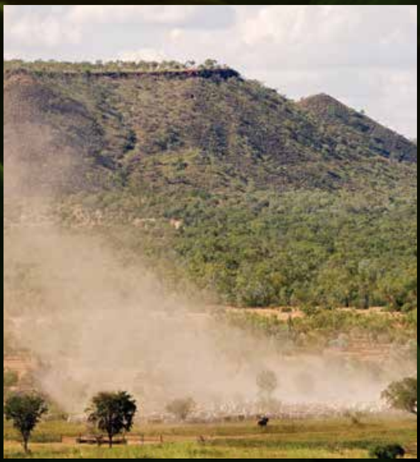
HEAD OF CATTLE

PORTFOLIO BUSINESS REVIEW – CPC

CPC acquired Bunda, a 15,000 head breeding and fattening property in the Northern Territory, bringing its total number of stations to 20

YEAR END: 31 MARCH	2014	2015
Revenue	A$64m	A$64m
EBITDA	**A$1m**	**A$22m**
Capital expenditure	A$6m	A$4m
Head of cattle	367,000	371,000

These results are unaudited



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 supported by an increasing population and changing diets in developing Asian 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 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

Upon acquisition Terra Firma introduced a more commercial mindset to the business 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 operational team, which had detailed knowledge of the herd and the properties, was supplemented by a number of senior hires including a new Chairman and CEO.

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, bring more land into production and improve all-weather access.

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 six 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

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 performed well in its financial year ending March 2015, with management taking early actions in response to drought conditions in the previous year: placing the business in a good position to take advantage of the improving market conditions and prices.

Full year revenue of A$64 million was flat year on year as the business delayed sales to take advantage of expected increases in prices later in the year. Revenue was generated by 75,500 head sold: 14,000 fewer than the previous year, with a different mix of weight of cattle and higher prices achieved.

Whilst costs were higher year on year due to drought-mitigation activities, EBITDA was A$22 million, significantly higher than the year before. This was due to higher market prices increasing the value of the herd and increased margins on sale of cattle.

Capital expenditure was A$4 million, A$2 million below the previous year, due to reduced expenditure during the drought.

During the final quarter of the financial year, the business completed a A$15 million acquisition of Bunda, a 15,000 head breeding and fattening property which is in a neighbouring region of CPC's existing property at Kirkimbie in the Northern Territory.

CURRENT DEVELOPMENT PLAN

CPC is continuing to implement its five-year plan to transition the business from a farm gate producer to a market-focused supplier.

The business appointed a new CEO, Troy Setter, in July 2014. Following this appointment, there has been an increased focus on bolstering the teams at CPC's 20 stations and its Brisbane support office to enhance operational and strategic capabilities.

Across the broader portfolio, the majority of properties are recovering well from the severe drought conditions experienced in 2013, allowing for better stock levels on previously drought-affected properties.

PORTFOLIO BUSINESS REVIEW – CPC

Troy Setter

MANAGEMENT

Troy Setter

Chief Executive

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 Australian Agricultural Company. 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.

PORTFOLIO BUSINESS REVIEW – CPC

Leading the way to greater equality

CPC's female Stock Hands mustering at Wrotham Park Station

PORTFOLIO BUSINESS REVIEW – CPC

In an industry that is historically dominated by men, CPC is blazing a trail for equal opportunities and reaping the benefits that come with it. The company employs a higher ratio of women to men than its peers – from senior management to station roles – as it sets the standard for others to follow.

The 2013-14 benchmark study by The Workplace Gender Equality Agency in Australia showed that for the agricultural industry, women only held 16.9 per cent of key management roles. At CPC, more than half of its key management are women.

On station, where roles for women have traditionally been as cooks, domestics and nannies, women are now filling a quarter of roles such as Station Manager, Station Hand and Head Stock Hand. And the number of Jillaroos is on the rise too. In another shift, many of the traditional female on-station roles are now being filled by men.

Emily Bryant, 26, is Station Manager for CPC's Argyle Downs where she looks after a 1,000 square kilometre property situated 120km east of Kununurra. The property runs over 10,000 head of cattle and sends 7,500 head annually to the live export markets of South East Asia. For her age, Emily has a wealth of knowledge and is on course to build on her impressive career momentum with CPC.

Jacqui Cannon currently holds the position of Chief Development Officer and joined CPC in 1992 as an Accountant at the company's iconic Newcastle Waters Property. During her 23 years at the company she has progressed steadily, holding positions including HR Manager and CFO. With her extensive industry and company experience, she is an integral part of the CPC community.

Troy Setter, CEO of CPC, states that prominent women like Emily and Jacqui have certainly bucked the beef industry trend of key management positions being filled by men.

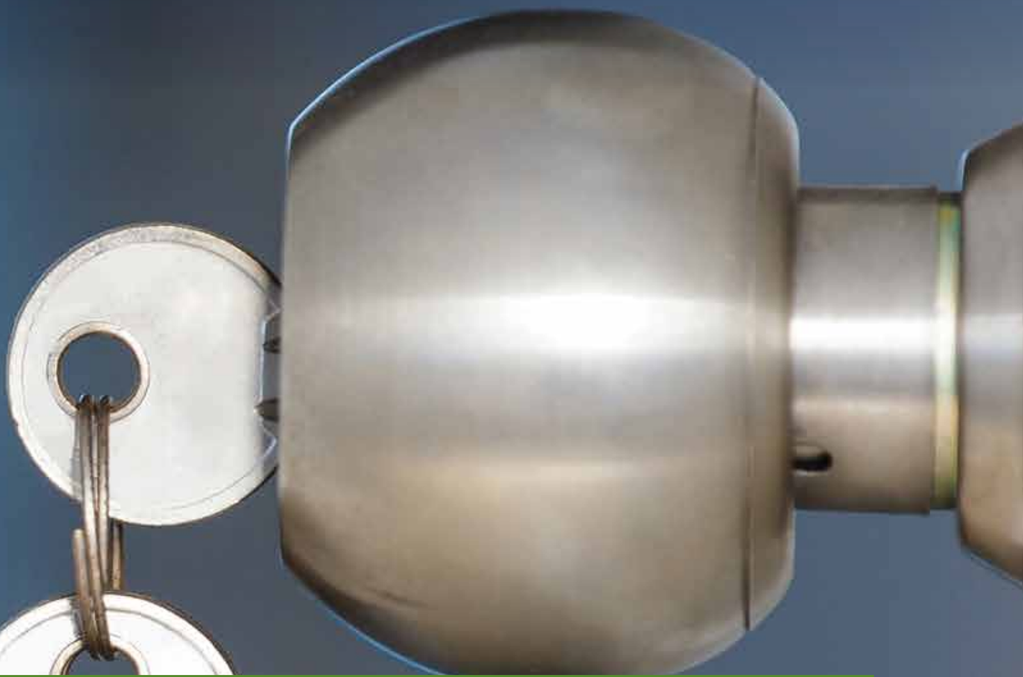
"Our leading women bring considerable diversity and value to our organisation. At CPC, every position is filled on merit and there are equal opportunities for men and women. It's a policy that has enabled us to build the strongest possible team; one that is well positioned to take our company into the future with real confidence."

CPC is blazing a trail for equal opportunities

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

DEUTSCHE ANNINGTON IS THE LARGEST PRIVATE RESIDENTIAL LANDLORD IN GERMANY

DEUTSCHE ANNINGTON



200,000

OVER 200,0000 OWNED AND MANAGED UNITS AT EXIT

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

In May 2014, Terra Firma exited its investment in Deutsche Annington, marking the end of a 13-year period during which Terra Firma created Germany's leading residential real estate company

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

In 2000, Terra Firma invested in ten separate companies providing rented housing in Germany bringing them together under a newly formed company, Deutsche Annington. The business grew strongly and in 2006 it was placed into a standalone fund, TFDA, until its full exit in 2014.

INVESTMENT RATIONALE

Terra Firma recognised that German residential real estate is an intrinsically low-risk asset class and sought to invest in the opportunity to create a world-class business of scale.

The original transaction in 2000 involved residential properties geographically spread across Germany and 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, Terra Firma saw enormous scope for better customer service, 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 developed into 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. From 2002, over 60,000 units were sold. Further portfolio acquisitions enabled Deutsche Annington to replenish its portfolio and build a substantial rental asset base that provided stable, recurring cash flows.

Under Terra Firma's ownership, Deutsche Annington more than tripled in size from 64,000 units at acquisition to more than 200,000 in 2014. As the business grew, Terra Firma made further operational improvements, centralising functions such as IT and creating a call centre to deal with tenants' queries. In 2012, the business insourced its maintenance and repairs function in order to be able to provide a higher quality of service whilst increasing efficiency.

All of these changes helped position the business as a leader in providing private residential rental properties.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

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 grew and evolved, the entire senior management team was refreshed, bringing ideas from other industries whilst maintaining real estate knowledge.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Deutsche Annington invested heavily in enhancing the attractiveness of its properties to tenants. Under Terra Firma's ownership the business spent more than €1 billion on maintenance and property improvements to improve overall asset quality, increase rents and reduce vacancy rates.

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 set new standards in the German housing industry.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Through add-on acquisitions, Deutsche Annington almost tripled its asset-base and became 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. The added geographic diversity helped to further de-risk an already low-risk portfolio.

LOWERING THE COST OF CAPITAL

In 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 2012, DAIG successfully completed a refinancing of the GRAND notes. 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.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

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 and TFDA sold a small part of its stake. 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.

FULL EXIT

In May 2014, TFDA carried out an innovative distribution in specie to distribute all the shares it held in Deutsche Annington to the investors in the TFDA Fund.

The distribution allowed investors the flexibility to decide whether they continued to invest in Deutsche Annington or exit their investment, cementing TFDA's standing as the most successful European real estate fund of its vintage.

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

Countering demographic change

2

Treff-AmiCa is an initiative that supports the elderly residents of Deutsche Annington in their daily lives

PORTFOLIO BUSINESS REVIEW – DEUTSCHE ANNINGTON

Germany is already home to 17 million people over the age of 65. By 2030, this figure will have reached 22 million. Many of these people will require easy-access apartments, of which there are far too few in Germany at present. By continuing to renovate its properties to make them easily-accessible, Deutsche Annington is helping to counteract this deficit.

But that doesn't go far enough. For the customer, the whole package has to be just right. People need affordable, senior-friendly housing, but the neighbourhood has to develop in tandem with appropriate features such as dropped kerbs, wheelchair ramps and tactile pavements along with local amenities and a decent infrastructure. It is therefore vital to take into account the local area during the planning process.

Here, too, Deutsche Annington strives to integrate appropriate advisory and support services within the direct vicinity of where older people live.

Take Treff-AmiCa in Gelsenkirchen, for example, which Deutsche Annington has been supporting for more than five years. The cafe is a meeting place for all generations living in the neighbourhood. It offers older people an affordable lunch and the chance to socialise, serves as an advice forum for a variety of circumstances and even boasts a care room. Older tenants meet up here for bingo afternoons, to do gymnastics for the elderly classes or go on excursions in the local area.

The project is run by Caritas, one of Germany's leading charity organisations, and is located in a building belonging to Deutsche Annington – in the middle of a large neighbourhood that many older people call home.

Not only does Deutsche Annington make the premises available rent-free, but it supports the project in other ways, too. €2,500 was made available for expanding the community garden and support was given to various social events, enabling the tenants to get to know each other and improving the quality of life at home for older people.

Furthermore, the company is currently building a charging and parking station for people's electric wheelchairs. Together, these measures pave the way for long-term community living.

Deutsche Annington helps provide senior-friendly properties and living environments

PORTFOLIO BUSINESS REVIEW – EVERPOWER

EVERPOWER IS ONE OF THE TOP-20 WIND ENERGY PRODUCERS IN THE US

everpower

752 MW

GENERATING CAPACITY

PORTFOLIO BUSINESS REVIEW – EVERPOWER

The acquisition of the 240 MW Big Sky windfarm in 2014 added almost 50 per cent to EverPower's installed capacity

YEAR END: 31 DECEMBER	2013	2014
Revenue	$83m	$105m
EBITDA	**$54m**	**$65m**
Capital expenditure	$2m	$10m
Generation (GWh)	1,279	1,621

PORTFOLIO BUSINESS REVIEW – EVERPOWER

INVESTMENT RATIONALE

EverPower is a wind power generator based in the US, with seven operating wind farms and a significant development pipeline.

Power generation is an essential 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 farms 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 under-capitalised and unable to finance their development plans. This offered an opportunity to enter the market at a low point in the cycle, bring a disciplined approach to construction and development costs and to take advantage of the distressed market to pursue further acquisitions.

CREATING VALUE

TRANSFORMING STRATEGY

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

The commercial side of the business has been positioned to maximise value through a combination of long-term power purchase agreements, financial hedges, and merchant trading positions. In this way, the business is well-positioned to benefit from potential rises in the price of power and Renewable Energy Certificates ('RECs').

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 $500 million has been invested in the construction of pipeline assets. This has allowed EverPower, through both a targeted procurement programme and well-established relationships with all major suppliers, to build out the portfolio quickly and at low cost. By the end of 2014, EverPower had seven best-in-class operating wind farms, of which four were built and put in operation under Terra Firma's ownership, and two were acquired.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Terra Firma has built EverPower into a renewable energy generator of significant scale with a generating capacity of 752 MW at the end of 2014. Along with building out four sites from the development pipeline, Terra Firma has focused on growing the business through acquisitions. In 2012, EverPower purchased the 150 MW Mustang Hills wind farm in California. In 2014, it acquired the 240 MW Big Sky wind farm. Big Sky is a high-quality wind farm in Illinois which was constructed in early 2011 and utilises 114 Suzlon turbines to generate enough electricity to power nearly 50,000 homes. This latest acquisition means that EverPower now ranks within the 20 largest wind energy producers in the US.

PORTFOLIO BUSINESS REVIEW – EVERPOWER

LOWERING THE COST OF CAPITAL

Through rapidly and efficiently building out the portfolio, EverPower has received US Government cash grants on all the projects it has constructed 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 project 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 2014, with favourable wind conditions being matched by strong operating performance and cost savings. This year was also marked by the successful acquisition of the Big Sky wind farm in Illinois.

Revenue for 2014 of $105 million was $22 million higher than in 2013, driven by the acquisition of Big Sky, strong generation in the existing plants and higher merchant power and REC prices.

Direct costs for the year increased due to the inclusion of the Big Sky wind farm, whilst indirect costs were on par with 2013. This led to EBITDA of $65 million, $11 million above the prior year.

Capital expenditure of $10 million in 2014 reflected procurement and construction work on a possible development project.

CURRENT DEVELOPMENT PLAN

EverPower continues its strategy to establish itself as a world-class wind operator of scale. With the acquisition of Big Sky in mid-2014, the portfolio now has a total capacity of 752 MW. Operationally, EverPower continues to focus on making sure all wind farms have industry-leading levels of availability.

EverPower's sites have a diversified mix of routes to sell power. Some of the business's wind farms have their power output fully contracted via longer-term Power Purchase Agreements, whilst other sites target liquid, wholesale power markets. This strategy offers flexibility and enables the business to retain the ability to capture future upside in power and REC prices.

An organic pipeline continues to be progressed and EverPower also looks at acquiring development sites and operating assets from other operators. Commercial solutions are a key focus for its late-stage development projects and will help move the longer-term pipeline projects through their various assessment phases, creating options for further organic growth.

PORTFOLIO BUSINESS REVIEW – EVERPOWER

Jim Spencer, Mike Kinski

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.

George Henderson

Chief Commercial Officer

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

PORTFOLIO BUSINESS REVIEW – EVERPOWER

Trail-blazing ideas on education

Trail enthusiasts attend the dedication of the Mason & Dixon Line Park

Photo: Paul G Wiegmann

PORTFOLIO BUSINESS REVIEW – EVERPOWER

EverPower is always working hard to educate local communities about its operations and the benefits they bring, and this year it has focused on those who might just be passing through – hikers on the trail which runs close to its Twin Ridges Wind Farm.

The 150-mile Great Allegheny Passage is part of a wider network of paths that make up the Potomac Heritage National Scenic Trail and winds its way through some of the most beautiful scenery in the north eastern United States. It is one of eight routes that have been designated as national scenic trails, and on a clear day offers breathtaking views across rolling countryside and mountains.

In 2014, EverPower partnered with the Allegheny Trail Alliance – a coalition of seven trail organisations in Pennsylvania and Maryland that maintains several scenic paths – to donate amenities that give hikers an opportunity to rest and recharge. It has also provided educational facilities that enable visitors to learn more about the wind farm they have been glimpsing from the trail.

EverPower's support enabled the Alliance to build a covered picnic area, a restroom block and information kiosks close to Meyersdale, Pennsylvania on Savage Mountain. The kiosks explain how the area's energy history has evolved from early coal mining days to today's wind farms, and how wind is used to generate electricity.

The company has also worked with the Alliance to construct a monument at the Mason-Dixon Line where it crosses the Great Allegheny Passage. The Mason-Dixon Line marks the Pennsylvania-Maryland and Maryland-Delaware borders and was once the dividing line between states where slavery was legal and where it was not. The Line, which extends over 230 miles, crosses through EverPower's Twin Ridges Wind Farm.

The monument creates a focal point that celebrates the importance of this historic boundary and also provides a rest stop to the 800,000 hikers and bikers who pass through this area every year. The memorial was dedicated on 20 June 2014, with a ribbon-cutting ceremony and over 100 cyclists pedalling from one state to the other.

It's unlikely that many walkers, runners or bikers set out on the trail with the intention of learning more about renewable energy and how it works but, in one corner of Pennsylvania at least, they can now do exactly that next time they head off.

EverPower has worked with the Allegheny Trail Alliance to construct a monument at the Mason-Dixon Line where it crosses the Great Allegheny Passage

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

FOUR SEASONS IS THE UK'S LEADING ELDERLY CARE PROVIDER

Four Seasons HEALTH CARE

brighterkind

the huntercombe group
Believing and achieving together

500

OVER 500 LOCATIONS ACROSS THE UK, ISLE OF MAN AND CHANNEL ISLANDS

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

The Private Care business was rebranded to brighterkind in 2014 and acquired seven further homes

YEAR END: 31 DECEMBER	2013	2014
Revenue[1]	£736m	£765m
EBITDA	**£99m**	**£79m**
Capital expenditure	£33m	£38m
Group occupancy	87%	87%

[1]Includes rental income

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

INVESTMENT RATIONALE

Four Seasons Health Care Group ('Four Seasons') is one of the largest independent providers in the UK care market. It leads the sector in the development of specialist services for residents with higher dependency needs such as nursing care for older people, respite care and an award-winning specialist dementia service. It also provides specialist residential mental health care. Four Seasons represented a compelling opportunity to acquire a stalled, ex-growth business which has a strong position within a changing industry.

Four Seasons has a large asset base, owning around 60 per cent of the facilities it operates, limiting its exposure to rental costs. Prior to its acquisition 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 strategic review of the business. This led to a reorganisation of the group into three distinct businesses with distinct customer propositions which offer exposure to significant growth sectors within the industry:

Four Seasons Health Care is the largest of the three and provides focused elderly care, nursing and dementia care;

brighterkind provides residential and nursing care aimed predominantly at the private pay market; and

The Huntercombe Group ('THG') offers specialist mental healthcare and brain injury rehabilitation.

Terra Firma has also taken steps to better leverage the business's scale, undertaking a number of initiatives in workforce management, facilities management, procurement, pharmacy services and food supply.

STRENGTHENING MANAGEMENT

In segmenting the organisation, Terra Firma has installed new CEOs in each of the three businesses, ensuring each has the leadership focus necessary to drive further growth.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Four Seasons is undertaking a significant capital expenditure programme to refurbish the majority of homes in brighterkind, to further develop the dementia proposition within Four Seasons Health Care, and to develop additional facilities in high growth areas in THG with a view to delivering better care, higher occupancy and improved margins.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The elderly care market is highly fragmented and since acquisition Four Seasons has completed a number of accretive add-on investments. In 2013, Four Seasons acquired a portfolio of 17 private-care focused homes which helped bring scale to the brighterkind business. This was followed by the acquisition of a further seven private-care focused homes in 2014.

LOWERING THE COST OF CAPITAL

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. Further bank debt was arranged to part fund the two acquisitions.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

CURRENT FINANCIALS

Four Seasons faced a very challenging market in 2014, with increased regulatory scrutiny, recruitment constraints for nursing staff and the associated higher costs, and squeezed local authority and NHS budgets.

Four Seasons Health Care's performance was below expectations in 2014 as occupancy and payroll costs were impacted by embargoes, as a result of increased regulatory scrutiny.

brighterkind performed well in 2014 and benefited from an increased differentiation in its proposition which caters to the premium section of the market.

THG experienced higher payroll costs due to the shortage of qualified staff at a handful of sites leading to the increased use of agency staff.

Group revenue of £765 million was £29 million above the prior year due to the full-year impact of the Avery acquisition in 2013, the acquisition of seven care homes for brighterkind and modest fee rate increases, offset by some disposals. Group occupancy was flat year on year at 87 per cent.

The provision of high quality care is Four Seasons' priority; staff hours were increased as the sector experienced more intense regulatory scrutiny, which resulted in increased payroll costs in 2014. These higher costs led to Group EBITDA of £79 million, which was £20 million below the prior year.

Capital expenditure of £38 million was £5 million above the prior year, as the business focused on segmentation projects.

CURRENT DEVELOPMENT PLAN

Overall, Four Seasons is being repositioned to better cater to customer demand with the core focus remaining on providing high quality care. Following the reorganisation of Four Seasons into three separate businesses, each has implemented operational enhancements to support their specific strategies.

The core Four Seasons Health Care business is focused on enabling a 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 by the end of 2017.

The Private Care business was rebranded to brighterkind in 2014 and continues to develop its premium proposition. The acquisitions in 2013 and 2014, which have a high private care mix, will enhance the national presence of the business. Growth is also being pursued through the rebuilding, extension or refurbishment of five homes and this is anticipated to be rolled out to a further 30 homes in the portfolio.

Having undertaken a detailed analysis of the specialist mental healthcare market, THG is repositioning its capacity to focus on services where its expertise can secure high margins and it anticipates a growth in demand.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

Ben Taberner, Lorcan Woods

MANAGEMENT

Ian Smith
Chairman
Ian was appointed Chairman of Four Seasons Health Care Group 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 – Four Seasons Health Care
Tim was appointed CEO of Four Seasons Health Care in May 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.

Valerie Michie
Chief Executive Officer – THG
Valerie joined as CEO of THG in August 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.

Jeremy Richardson
Chief Executive Officer – brighterkind
Jeremy joined as CEO of brighterkind 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 and, prior to this, was a consultant at Bain & Company.

Ben Taberner
Group Chief Financial Officer
Ben joined as CFO in 2010. He joined Four Seasons Health Care Group 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.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

Helping residents feel part of the family

Deputy Manager, Sheilla Davies,
at Marlborough Court

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

"Nurses and carers working in a care home develop longer-term relationships with the people they are caring for. We get to see beyond our residents' nursing and care needs and to know each of them as an individual. It's almost like they are family." Sheilla Davies laughs, as though conscious that it might sound clichéd, but she means it. She has been caring for people for most of her life.

She is one of more than 30,000 nurses and carers in the Four Seasons care homes and specialist care centres. She works at Marlborough Court Care Home, Thamesmead, where she has been Deputy Manager for three years.

Sheilla found her vocation while growing up in Zimbabwe, caring for her grandmother who had diabetes and high blood pressure. It was then she decided she wanted to become a nurse.

She came to the UK to train as a Registered Nurse. While doing the full-time course work during the week, she supported herself by working at weekends and holidays as a carer at Marlborough Court. After qualifying she was taken on as a nurse at the home in 2006, but she didn't stop developing new skills. With the support of her Home Manager and Regional Manager, she studied for an advanced diploma in dementia care; then went on to obtain a Chartered Management Institute Diploma in Management and Leadership. Along with higher qualifications came promotion.

A typical day for Sheilla starts at 8am with a briefing from the overnight nurse. During her shift Sheilla will: monitor care and talk to each resident to ensure that any concerns are dealt with; help with washing and dressing; oversee mealtimes to ensure dietary requirements are met; administer medications; talk with staff, families and GPs about residents' care; check on cleaning and housekeeping; and review and update care plans. She filters the outcomes of these activities into her daily planning meeting with the Home Manager. Then she will complete daily reports for 21 residents who are cared for by the team she leads.

Caring for people, particularly those in the later stages of their lives and living with dementia is challenging. It isn't a job that attracts those whose main motivation is financial reward, but rather from being able to make a difference. Sheilla tells this story: "A lady who came into the home was very withdrawn and she stayed in her room; just sitting doing nothing; she couldn't feed herself and didn't speak. Today she is a different person. She is enthusiastic and chatty and joins in the activities with other residents. She is our unofficial ambassador, telling people who come into the home how we turned her life around. That is why I do this job."

We get to see beyond our residents' nursing and care needs and to know each of them as an individual

Sheilla Davies, Marlborough Court

PORTFOLIO BUSINESS REVIEW – INFINIS

INFINIS IS ONE OF THE LEADING INDEPENDENT RENEWABLE ENERGY GENERATORS AND DEVELOPERS IN THE UK

infinis

589 MW

INSTALLED CAPACITY

PORTFOLIO BUSINESS REVIEW – INFINIS

Infinis exported 2.5 TWh of renewable power in 2014/15, enough to power over 500,000 households in the UK

YEAR END: 31 MARCH	2014	2015
Revenue[1]	£238m	£236m
EBITDA[2]	**£148m**	**£143m**
Generation	2,598 GWh	2,472 GWh
Landfill Gas	1,871 GWh	1,842 GWh
Onshore Wind	727 GWh	630 GWh

[1] Excluding Hydro
[2] Before operating exceptionals

PORTFOLIO BUSINESS REVIEW – INFINIS

INVESTMENT RATIONALE

In 2003, Terra Firma acquired Waste Recycling Group ('WRG'), 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 under-managed, with its generating capacity under-developed and most capacity outsourced to third parties.

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, diversified into onshore wind and small-scale hydro generation 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 one of the largest renewable power generators in the UK, with 589 MW of installed capacity (as at 31 March 2015).

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

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 315 MW at the end of March 2015. It has also developed a significant onshore wind business, diversifying away from the original landfill gas focus. At the end of March 2015, its total onshore wind capacity was 274 MW and it 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's acquisition of Novera Energy in 2009 added 148 MW of installed capacity made up primarily of onshore wind and landfill gas with a small

PORTFOLIO BUSINESS REVIEW – INFINIS

hydro asset base, and increased its organic wind development pipeline. As Infinis has grown, the small hydro operations have become non-core and were sold in February 2015.

LOWERING THE COST OF CAPITAL

The diversification of its power generation 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 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 early 2013 and later Fitch Ratings issued a new rating of BB-.

In late 2013, ahead of the IPO, 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 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.

The business paid a final dividend for the year to March 2014 and an interim dividend for the year to March 2015 in line with its stated dividend policy at the time of listing in 2013.

Terra Firma continues to retain a 69 per cent interest in the business, with one per cent held by directors, management and employees of Infinis. The remaining 30 per cent is in free float on the London Stock Exchange.

CURRENT FINANCIALS

Infinis is now listed on the London Stock Exchange and the latest financial information can be found at www.infinis.com.

CURRENT DEVELOPMENT PLAN

Infinis has announced its intention to deliver 130–150 MW from the organic onshore wind development pipeline by 2017. This target is underpinned by two larger projects, A'Chruach (43 MW) and Galawhistle (66 MW), and a number of other projects currently in the consenting phase.

Within the landfill gas division, Infinis continues to lock in power prices through forward contracts in line with its hedging strategy.

PORTFOLIO BUSINESS REVIEW – INFINIS

Mike Kinski, Eric Machiels

MANAGEMENT

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.

Steven Hardman

Commercial Director

Steven joined Infinis in 2008 to lead its commercial and legal activities. In early 2009, Steven also assumed responsibility for the onshore wind development and construction business and all other major projects, including mergers and acquisitions. Steven was previously Group Legal Director for WRG. A qualified solicitor, Steven's early career was as a corporate lawyer in the City of London prior to a period with Hanson plc.

PORTFOLIO BUSINESS REVIEW – INFINIS

Good news all round

Infinis donated half of its 2014 Charity Challenge proceeds to Birmingham Children's Hospital

PORTFOLIO BUSINESS REVIEW – INFINIS

Infinis's Charity Challenge is a community programme that not only helps local good causes, but also promotes a culture of safety within the business. For each health, safety or environmental near-miss reported, the company makes a £25 donation to the Challenge fund. Running since 2008, the initiative supports good causes chosen by the company's staff.

So far the Charity Challenge has supported over 90 charities across the UK, donating a total of over £70,000. Nominated charities have included Action 4 Youth, Solar Aid, the Roy Castle Lung Cancer Foundation and the Children's Hope Foundation. In December 2013, in a new approach, the company decided to donate 50 per cent of the Charity Challenge money raised in 2014 to a single charity. They also invited employees to nominate their favourite cause; an approach that creates a real sense of employee ownership and engagement.

Infinis's Charity Committee narrowed a long list of suggested charities to a shortlist of four based on these criteria:

- A cause/charity with which staff or their families are involved
- A cause/charity which has local roots in a community near to Infinis sites
- A cause/charity of a suitable scale where there will be a clear, measurable benefit from the donation

This year's recipient was Birmingham Children's Hospital ('BCH'). One of only four specialist children's hospitals in the UK, BCH cares for 140,000 children every year, and is a centre of excellence for children requiring cardiac surgery, neurosurgery, trauma surgery and epilepsy surgery.

As well as donating half of the Challenge fund proceeds, Infinis is also encouraging employees to get involved in extra fundraising activities for the charity including marathon running and a sponsored cycle ride.

Annie Ransome, Community Fundraising Consultant at BCH, was delighted, commenting that this kind of support "enables the hospital to do much more than would otherwise be possible. Thank you to Infinis for supporting our children – they deserve the best and, together, we can give it to them."

Infinis is also planning to get more involved in the BCH fundraising campaign through employee-led events and activities. This is in addition to the company's other charitable initiatives that are having a positive impact elsewhere in local communities.

Thank you to Infinis for supporting our children

Annie Ransome

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

ODEON & UCI IS ONE OF EUROPE'S LEADING CINEMA OPERATORS

ODEON & UCI CINEMAS GROUP

2,227

SCREENS

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

In 2014, the business acquired six sites in Spain and Italy and opened one new site in the UK

YEAR END: 31 DECEMBER	2013	2014
Revenue	£707m	£657m
EBITDA	**£69m[1]**	**£53m**
Capital expenditure	£30m	£26m
Attendance (m)	80.0	78.5

[1] In prior years, the Annual Review EBITDA was stated before Propco rent; however, following the disposals of the Propco assets, it is appropriate to define EBITDA after all rent charges. 2013 EBITDA has been restated to reflect this

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

INVESTMENT RATIONALE

Odeon & UCI Cinemas Group ('Odeon & UCI') is a leading pan-European cinema operator with market leading positions in the UK, Ireland, Spain and Italy and a strong presence in Germany, Portugal and Austria.

Terra Firma acquired Odeon and UCI as two separate businesses in late 2004 and merged them to create a leading European cinema operator. Odeon 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. The merger of the two groups offered the chance to unlock value through integration savings and to take advantage of opportunities for further consolidation within the European cinema industry.

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 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 at Odeon & UCI which includes opening new sites and installing Premium seating across all territories. The food and beverage range has been broadened, Costa Coffee franchises, sandwich bars, pizza restaurants 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.

A major milestone was the conversion of all screens to digital projection technology which was completed in 2012. Digital screens improve the customer experience, reduce distributor costs and boost advertising revenue. They also enable the projection of 3D films; Odeon & UCI is the biggest circuit of premium format auditoria in Europe.

The business has invested in expanding and enhancing its portfolio with the addition of 35 new cinemas across Europe and 28 major refurbishments since 2004 and has a pipeline of new sites over coming years.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Odeon & UCI has taken advantage of its leading position within the European cinema market through acquisitions in Spain, Italy, Portugal, Germany, the UK and Ireland. In total, over 100 sites and 1,000 screens have been added to the group's portfolio through new site openings and acquisitions, making Odeon & UCI Europe's largest cinema operator. In 2014, the business acquired six sites in Spain and Italy, and opened one new site in the UK bringing the total estate to 244 sites with 2,227 screens across seven territories.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

LOWERING THE COST OF CAPITAL

In 2007, after two years of improved performance, the business was refinanced and restructured by separating the UK properties (into a 'PropCo') 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 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

Odeon & UCI faced a challenging year in 2014; it was a poor year for cinema attendance, with market attendance across the business's territories the weakest since Odeon & UCI was formed. This was the result of distributors avoiding the release of films during the World Cup, unusually hot summer weather and the rescheduling of several key titles into 2015.

Odeon sold 78.5 million tickets in 2014 and achieved total revenue of £657 million. Direct costs were lower than the prior year due to lower attendance, whilst indirect costs including rent also fell. EBITDA for 2014 was £53 million which was £16 million below the prior year. The business has taken significant steps to improve operational performance and invest in growth and so, going into 2015, is well-positioned to take advantage of a film slate which is anticipated to be very strong.

Odeon & UCI invested £26 million in 2014, continuing its programme of site refurbishments, opening new sites, maintenance and retail initiatives.

CURRENT DEVELOPMENT PLAN

During 2014, a new senior leadership team was appointed, with Paul Donovan joining as Group CEO, Ian Shepherd as Group Chief Commercial Officer and Mark Way as Group CFO. Odeon & UCI conducted a strategy review in the first half of the year leading to projects focused on customer and site segmentation, marketing, and commercial and operational enhancement including improvements to organisational and technological capabilities. The initial results of these changes have been encouraging.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Paul Donovan

MANAGEMENT

Paul Donovan

Chief Executive Officer

Paul joined Odeon in 2014. He has over 25 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 joined Odeon in 2014. He was previously with Hilton Worldwide, where he held the role of Senior Vice President Group Operations Finance from 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.

Ian Shepherd

Chief Commercial Officer

Ian joined Odeon in 2014. Ian has 20 years' experience in consumer sales, marketing and retailing, with a consistent focus on how the changing worlds of media, technology and communication impact consumers. As Chief Commercial Officer, Ian has responsibility for all commercial, marketing and digital activities across the group. He was previously CEO of Game Group PLC, Consumer Director of Vodafone UK and Customer Marketing Director for Sky.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Putting cinemas at the heart of the community

Some of the Odeon charity team presenting Freya Levy with her brand new sports wheelchair, customised to survive the rigours of wheelchair basketball matches

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Odeon is a firm believer in the power of organisations to make a difference in the communities where they operate, and this year has made an impact through charity fundraising work and initiatives to both improve accessibility and benefit the environment.

Support for children's charities

Since 2007, Odeon's employees have raised more than £926,000 for two great children's charities – the NSPCC and Variety. In 2014, the team raised £109,000 for Variety that allowed the charity to fund 14 customised, state-of-the-art wheelchairs and a 'Sunshine Coach' for Linburn Academy in Glasgow, a specialist school for 12-18 year olds with complex learning difficulties. For the NSPCC, Odeon raised £88,000 that enabled it to reach over 7,000 children across the UK through The Childline School Service. The charity was also able to recruit and train 31 volunteers to deliver school assemblies.

Making the cinema more accessible to all

Three years ago, Odeon was the first UK cinema chain to partner with Dimensions, a leading not-for-profit organisation supporting people with autism. It now hosts one autism-friendly screening per month at over 80 per cent of its cinemas across the UK and Ireland, showing a range of new releases and classics that are suitable for all age ranges. To demonstrate support for the eighth annual World Autism Awareness Day on 2 April 2014, Odeon held an awareness-raising initiative, hosting an additional 290 autism-friendly screenings.

For those who are hard of hearing, there are induction loop facilities at all sales and guest service points and dual infra red systems that allow hearing aids to be tuned in effectively. There are also many subtitled performances. For partially sighted and blind guests, Odeon offers audio described facilities and is also able to look after their guide dogs during screenings. And for those less able, over 90 per cent of Odeon screens are wheelchair accessible.

Building a more sustainable cinema network

Odeon's state-of-the-art new cinema at Milton Keynes is the first multiplex cinema in the UK to be awarded a 'BREEAM excellent' rating – the environmentally-friendly building standard.

This cinema is 'lit by the sun' – with 286m^2 of solar roof panels providing 85 per cent of the electricity for the building's lighting.

The cinema recycles 90 per cent of its waste, and water consumption has been reduced by approximately 40 per cent by using low flush toilets.

For World Autism Awareness Day, Odeon hosted an additional 290 autism-friendly screenings

2

PORTFOLIO BUSINESS REVIEW – RTR

RTR IS ONE OF EUROPE'S LARGEST SOLAR ENERGY PRODUCERS

RTR RETE RINNOVABILE

318 MWp

INSTALLED CAPACITY

PORTFOLIO BUSINESS REVIEW – RTR

Two new plants were acquired in Sicily in 2014

YEAR END: 31 DECEMBER	2013	2014
Revenue	€148m	€157m
EBITDA	**€122m**	**€128m**
Capital expenditure	€9m	€4m
Generation (GWh)	395	414

PORTFOLIO BUSINESS REVIEW – RTR

INVESTMENT RATIONALE

Rete Rinnovabile ('RTR') is a solar photovoltaic ('PV') energy generating company with a significant portfolio of production sites throughout mainland Italy, Sicily and Sardinia. Since acquisition, RTR has acquired a further five portfolios which have more than doubled its installed capacity from 144 MWp to 318 MWp. By the end of 2014, RTR had the capacity to produce over 400 GWh of electricity per year, enough for more than 150,000 households. This makes it one of the largest solar energy-generation businesses in Europe.

The strategic rationale underlying the initial acquisition of RTR was to take advantage of the growth and consolidation opportunities in the Italian renewable energy sector. The expansion of renewable capacity in Italy is supported by long-term incentives, and renewable energy sources benefit from priority of dispatch to the electricity transmission grid over other sources. RTR's generating assets have been finished to high specifications using proven technology, are contained within secure compounds and came with contractual guarantees of minimum production availability.

CREATING VALUE

TRANSFORMING STRATEGY

From a group of orphaned assets, RTR has been 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 significant investment in upgrading 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. The business has invested in a number of initiatives to increase 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

Since the initial acquisition, RTR has grown from just over 140 MWp to above 300 MWp through five add-on acquisitions, the most recent of which was completed in April 2014. 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

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, which together with its high level of cash generation puts it in a good position to negotiate with banks and counterparties.

PORTFOLIO BUSINESS REVIEW – RTR

CURRENT FINANCIALS

RTR performed well in 2014, despite a challenging year due to changes in taxes and legislation which announced cuts in feed-in premium incentives from 2015 onwards.

RTR produced 414 GWh of power in 2014, with solar irradiance slightly below average. RTR's plants continued to perform ahead of expectations in terms of operational efficiency and panel availability (which exceeded 99 per cent). Revenue of €157 million was ahead of 2013, mainly due to the acquisition completed earlier in the year. Costs were well controlled, resulting in EBITDA for 2014 of €128 million, which was €6 million above the prior year.

Capital expenditure, which was €4 million in 2014, was invested in improving the performance of existing plants. The two plants in Sicily that were acquired in April have been fully integrated into RTR's systems.

CURRENT DEVELOPMENT PLAN

RTR continues to run a world-class portfolio of assets with the aid of long-term service agreements with third parties for the provision of operations and maintenance, and security services. RTR will continue to seek operational improvements in response to the reductions in feed-in premium incentives which come into effect in 2015.

This change to previously enacted incentives has had a detrimental impact on all producers and is being challenged. RTR's strength and scale make it well placed to respond to these challenges. The business continues with its strategy of accretive acquisitions and operational improvements.

PORTFOLIO BUSINESS REVIEW – RTR

Paolo Lugiato

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 telecommunications, 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 and 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 energy in a good cause

Young guests enjoy the challenging leisure activities at Dynamo camp, supported by Camp staff at Limestre in Tuscany

PORTFOLIO BUSINESS REVIEW – RTR

RTR supported the non-profit organisation Dynamo Camp, Italy's first recreational therapy camp, through the project 'Doniamo Energia'.

Every year, Dynamo Camp hosts more than a thousand children who suffer from serious and chronic illnesses, giving them an opportunity to relax and enjoy themselves. Based on a beautiful Tuscan estate, it is a safe environment where they can get involved in activities such as climbing, archery, swimming, riding, theatre, art workshops and sleeping under canvas. Above all though, it is an opportunity for the youngsters to be themselves and develop their confidence.

RTR provided Dynamo Camp with a donation equal to the value of energy required for operating the entire Camp for three sessions and provided free energy efficiency consultations. The company also encouraged its staff to get involved by volunteering their time. Sandro Rosalia, Technical Operations Manager and Head of Monitoring Systems, talked about his experience at the Camp and how it lived up to his high expectations.

"I came to know Dynamo Camp in 2013 as part of an RTR corporate retreat. I was so impressed by the work of the Dynamo staff that I decided to volunteer there as well.

Working with lots of excited and motivated people and surrounded by so many children gives you a special burst of energy. It's a beautiful, but challenging experience. The in-depth training included meeting with the Camp doctors who explained the children's illnesses and suggested appropriate group games and educational activities.

The mix of activities is designed to create a happy and safe experience for the children – even routine chores are made fun. Everything is done to make it a tranquil and serene experience.

The thing that has really remained with me from Dynamo Camp is an awareness of the real problems that many families face. Ultimately, the positive message that Dynamo Camp gives is that there is always something positive to take out of even the saddest of situations and we must learn to see and appreciate this every day".

Every year, Dynamo Camp hosts more than a thousand children who suffer from serious and chronic illnesses

PORTFOLIO BUSINESS REVIEW – TANK & RAST

TANK & RAST HAS A MARKET LEADING POSITION ON EUROPE'S BUSIEST MOTORWAY NETWORK, THE GERMAN AUTOBAHN

TANK & RAST

390

SERVICE AREAS

PORTFOLIO BUSINESS REVIEW – TANK & RAST

Tank & Rast further expanded its distribution network, acquiring two more autohöfe sites in 2014

YEAR END: 31 DECEMBER	2013	2014
Revenue	€482m	€506m
EBITDA	**€235m**	**€236m**
Capital expenditure	€64m	€63m
Number of autohöfe sites	4	6

PORTFOLIO BUSINESS REVIEW – TANK & RAST

INVESTMENT RATIONALE

Tank & Rast sits at the core of Germany's transport network as an essential infrastructure asset due to its market leading position on Europe's busiest motorway network, the German autobahn. It 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, advertising and concession fees, toilet facilities and fuel sales.

At acquisition, 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. The business also had a large tenant base, meaning there was an opportunity to enhance performance by allowing the most effective tenants to operate more sites.

CREATING VALUE

TRANSFORMING STRATEGY

Since acquisition in 2004, 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 also self-supplies five 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 incumbent CEO, Dr. Karl-H. Rolfes, who joined the business a few years before it was acquired by Terra Firma. In particular, a new CFO was hired and the Finance function bolstered.

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 ('EPOS') system to improve tenants' working capital management and logistics processes which is being rolled out across the network. As at the end of 2014, the system has been installed in 298 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

PORTFOLIO BUSINESS REVIEW – TANK & RAST

available. In particular the business is focused on looking at opportunities to acquire off-autobahn sites ('autohöfe'), with two new sites added in 2014.

LOWERING THE COST OF CAPITAL

As a result of the business's strong performance in a challenging economic environment, it has been successfully refinanced. In December 2013, Tank & Rast completed a €2.1 billion refinancing, which lowered the cost of debt and introduced longer-dated facilities with staggered maturities, mitigating future refinancing risk.

In 2014, Terra Firma took advantage of buoyant debt markets and repriced the term loan debt (€1.4 billion) thereby further lowering the cost of debt and cash interest payments.

CURRENT FINANCIALS

Tank & Rast's revenue was €506 million in 2014, €24 million above the prior year. This was mainly driven by the self-supply initiative, where Tank & Rast supplies fuel at certain sites itself for a small fixed margin, which amplifies revenues.

Costs in 2014 also increased, again primarily due to the self-supply effect of purchasing fuel, leading to EBITDA being €1 million above the prior year at €236 million.

Capital expenditure at €63 million was broadly in line with the previous year, split across maintenance of the current estate and development projects.

CURRENT DEVELOPMENT PLAN

Subsequent to the successful refinancing of the business in 2013 and the re-pricing in June 2014, Tank & Rast has focused on identifying future development initiatives into which it can reinvest the additional cash flow derived from lower interest costs.

Over the year, the business extended its Sanifair operations off the autobahn to 88 sites, including shopping centres, railway stations and motorway service stations. It is currently actively involved in several tender processes to open new sites in Austria, France, Spain, the Czech Republic, Italy and Belgium, whilst driving further expansion in its existing markets.

Having acquired two more autohöfe sites in 2014 bringing the total number to six, Tank & Rast will continue to look for opportunities to add more sites during 2015 to further expand its network.

The success of the implementation of EPOS led to an increased roll-out, and an additional 88 sites were equipped with the system during 2014, reducing tenants' working capital requirements and supporting their supply chain management.

In a continued effort to improve the customer experience, Tank & Rast is updating its food offering, placing an emphasis on offering customers a balanced variety of fresher meals and salads, a broader bakery range, bistro-type formats as well as new, alternative restaurant layouts.

PORTFOLIO BUSINESS REVIEW – TANK & RAST

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

On the road to better nutrition

Creating a healthy meal from the IN FORM 'highly recommended' dishes at a Tank & Rast service area

PORTFOLIO BUSINESS REVIEW – TANK & RAST

As the largest service provider on German motorways, Tank & Rast is aware of its social, environmental and economic responsibilities. As part of that commitment, the topic of traffic safety is high on the company's agenda.

At the beginning of the 2014 summer season, Tank & Rast partnered with the national action plan, IN FORM, Germany's national initiative to promote the benefits of healthy diets and physical activity to the nation's drivers. The initiative is aimed at fostering a healthy and balanced diet and lifestyle in the context of travel, something which is widely recognised to improve traffic safety. It was launched by the Federal Ministry of Food and Agriculture and is also supported by the Federal Ministry of Health.

As part of the 2014 IN FORM action plan, Tank & Rast and the German Association for Nutrition ('DGE') launched a campaign called 'Balanced diet at service areas for safer driving during the holiday season'.

The objective was to draw travellers' attention to the fact that balanced nutrition is widely available at service areas. The marketing material used in the campaign was designed to provide more information and demonstrate that Tank & Rast's service areas offer many choices for light and healthy eating. IN FORM and DGE selected healthy dishes at the service areas and highlighted them as 'highly recommended' with special signage. These offers were available at approximately 200 service areas and included choices from the 'Fresh Pan' menu as well as different salad variations at their salad bars.

The project was accompanied by a press event in July at the service area Auetal North, which created a positive media story for the initiative and also for Tank & Rast and the other sponsors. It's another example of Tank & Rast building its reputation as a responsible service operator with a strong focus on consumer health and traffic safety. Following the positive response to the campaign from drivers, the company is signed up to run a similar initiative for the 2015 summer season.

Tank & Rast partnered with IN FORM to promote the benefits of healthy diets to the nation's drivers

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

WYEVALE GARDEN CENTRES IS THE LARGEST PLANT- AND GARDEN-FOCUSED RETAILER IN THE UK

Wyevale garden centres

148

SITES ACROSS ENGLAND AND WALES

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

The business, which was rebranded Wyevale Garden Centres in 2014, acquired nine new centres during the year

YEAR END: 31 DECEMBER	2013	2014
Revenue	£276m	£290m
EBITDA	**£43m**	**£56m**
Capital expenditure	£13m	£32m
Number of sites	139	148

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

INVESTMENT RATIONALE

Gardening is part of 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 The Garden Centre Group in April 2012, the business had been capital-constrained and unable to take full advantage of investment opportunities in its existing portfolio or consolidation opportunities in what is a very fragmented sector. Terra Firma continues to develop the existing portfolio, expanding its product offering either directly or through third party concessions and making further acquisitions. The business has been rebranded Wyevale Garden Centres ('WGC').

The business generates income in three ways: the sale of gardening and associated retail products; 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.

Terra Firma identified improvement opportunities in areas such as procurement, wastage, operational efficiencies and central overheads. These improvements have yielded over £10 million of savings to date.

WGC has focused on 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. The business was also rebranded from The Garden Centre Group to Wyevale Garden Centres to leverage the historic Wyevale name.

STRENGTHENING MANAGEMENT

Since acquisition, the management team has been significantly strengthened with a new Chairman, CEO and CFO being appointed in 2012. Since then, there have been new appointments of Retail Operations, Commercial, HR, Restaurant, Trading, Property and Multi-Channel Directors to bring more focus to each part of the business.

DEVELOPING THROUGH CAPITAL EXPENDITURE

In 2014, the business focused on building-out retail, leisure and concession space, expanding its Food and Beverage offering, and developing a sector-leading multichannel offering which is expected to launch in 2015. 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. WGC has increased the size of its acquisition team and is well placed to make acquisitions: buying ten centres in 2013 and a further nine in 2014, bringing the total portfolio to 148 sites. WGC continues to explore accretive acquisition opportunities.

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

LOWERING THE COST OF CAPITAL

As a consequence of its strong performance over the last two years, WGC has been able to lower its borrowing costs and secure additional new debt to aid further growth.

CURRENT FINANCIALS

2014 was another successful year for WGC, with the continued development of the customer proposition across all areas of the business, albeit with challenging weather conditions during the year.

Revenue in 2014 was £14 million higher than the prior year at £290 million, with the increase coming from acquired sites and enhancement of the customer proposition.

Gross margin for the business improved overall in 2014 and operational improvements yielded cost savings. In addition, a focus on finding more concession partners increased concession income. All of which generated EBITDA of £56 million, £13 million above the prior year.

Capital expenditure of £32 million was invested in developing Food and Beverage propositions as well as improving store layouts and creating more concession space.

CURRENT DEVELOPMENT PLAN

Rebranding each site under the Wyevale Garden Centre umbrella brand started in 2014 with the remaining sites to be completed in 2015. The management team continues to focus on the optimisation of internal space utilisation between Garden Retail, Food & Beverage and Concessions with a view to improving the customer offering and increasing footfall. Food & Beverage concepts were refreshed in 2014 and will be rolled out selectively across the portfolio in 2015. This includes a restaurant refurbishment programme and WGC's in-house 'Coffee Ground' concept as well as Costa Coffee franchises. The product range will continued to be widened through leasing floor space to well-known concession partners.

The business will continue to take advantage of consolidation opportunities, with a healthy pipeline of potential add-on acquisitions of individual and small groups of garden centres for 2015.

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

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 his appointment as CFO in 2013, 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 – WYEVALE GARDEN CENTRES

Growing together

Staff selected Marie Curie as Wyevale Garden Centre's first national charity partner

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

WGC believes gardens play a key part in supporting local communities and more sustainable lifestyles. Through its 'Growing Together' plan, WGC works with its employees, suppliers and UK gardeners to help address some of the environmental and social challenges that face the UK today. Growing Together has four pillars:

Nurturing our colleagues

WGC is committed to fostering the development and skills of its more than 5,600 employees so that they can in turn inspire customers and help their gardens grow. All staff have access to an award-winning e-learning system which includes over 130 topics including horticulture, catering, customer service and corporate responsibility. Since 2010, staff have completed over 475,000 modules and assessments with over 175,000 being completed in 2014 alone.

WGC staff also have the opportunity to complete a course in Garden Centre Operations and Horticulture to further their skills and earn an advanced workplace Diploma in Horticulture. This has been very positively received within the business.

Protecting our planet

WGC is committed to minimising its impact on the environment. Key priorities are reducing fuel and water consumption, and minimising the amount of waste sent to landfill. In 2014, WGC recycled 68 per cent of its waste, up from 57 per cent in 2013. This has been driven by the commitment of Environment Champions in each centre who educate and motivate colleagues to put waste in the correct bins and provide toolkits and checklists to improve monitoring and reporting.

WGC is also using innovative ways to reduce waste. Its more than 100 restaurants and coffee shops recycle spent coffee beans into useful products, such as soil nourisher, furniture and the handles for coffee machines, rather than sending them to landfill. As a result, every espresso cup's CO_2 rating is one tenth of that of other coffee brands.

Sourcing with care

WGC works closely with its suppliers to source sustainable products. Nine out of ten of the plants sold are grown in the UK, supporting the economy and reducing transport miles, fuel and carbon emissions.

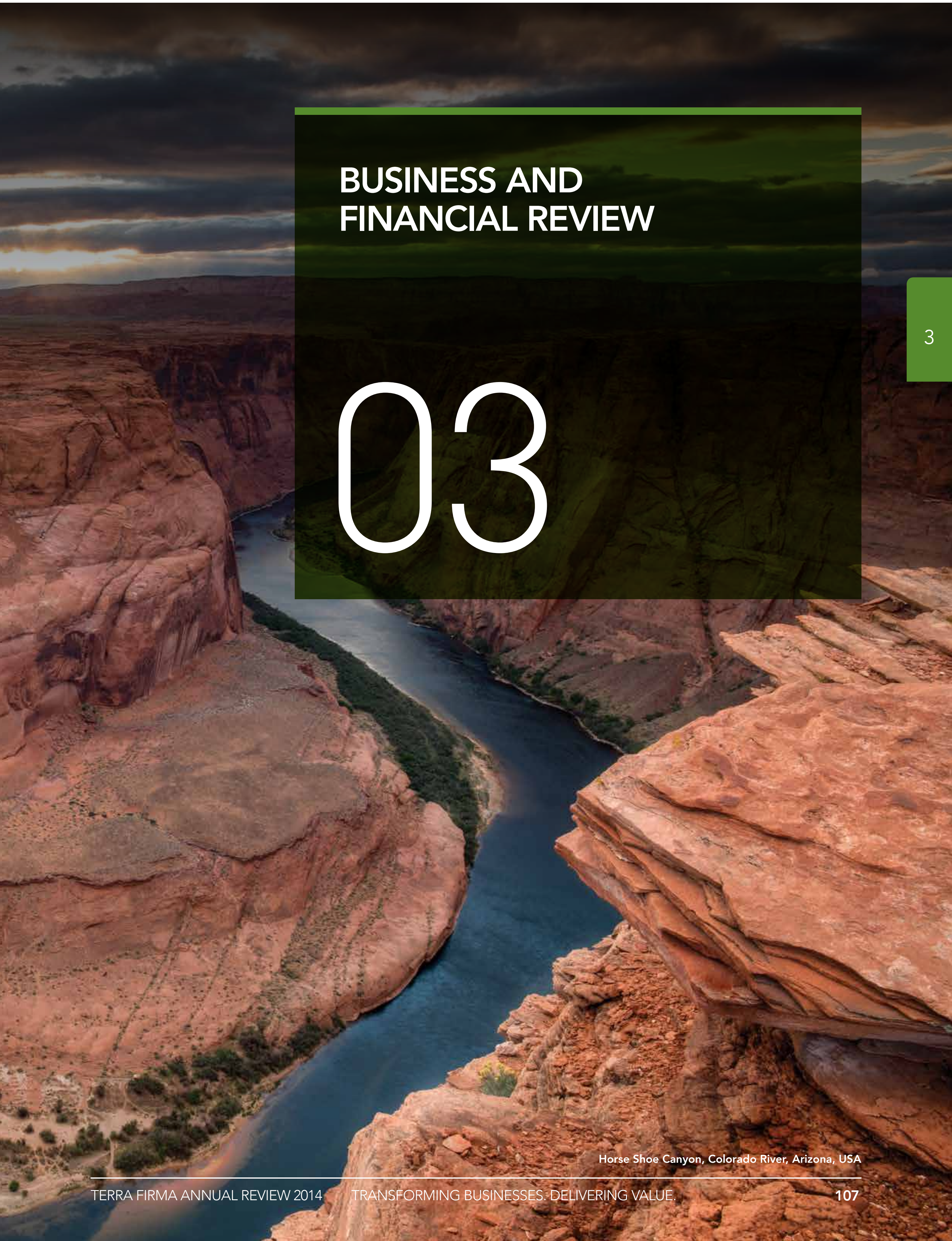
Introduced in 2014, WGC's new central hub distribution and delivery process is expected to greatly reduce its transport impact: decreasing mileage significantly and saving fuel and carbon emissions.

Strengthening our communities

In 2014, WGC staff voted for the company's first national charity partner, selecting Marie Curie. WGC has raised over £230,000 through organising activities and events across the year, helping Marie Curie to provide nurses to care for people with a terminal illness in their own homes, where often looking out onto the garden can bring comfort through happy memories.

WGC also donates a proportion of its soft play area charges to the NSPCC. In 2014, over £185,000 was raised to fund ten therapy centres where children participate in therapy sessions to help their recovery. These sessions often take place in gardens and outdoor spaces, which help the children relax and encourage them to talk about their experiences.

WGC's restaurants and coffee shops recycle spent coffee beans into useful products



BUSINESS AND FINANCIAL REVIEW

03

Horse Shoe Canyon, Colorado River, Arizona, USA

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 €48 billion. Our funds have made control investments in businesses mainly in Europe. We have around 50 investment professionals with offices in Guernsey, London and Beijing.

We have a consistent and distinctive approach to investment. We buy asset-rich businesses 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 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 portfolio, nine of the eleven 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 and EverPower.

[1] For the year to December 2014 for most businesses, with AWAS to November 2014, Infinis, CPC and Annington to March 2015

BUSINESS AND FINANCIAL REVIEW

STRATEGY

We have invested in many businesses across a number of sectors including energy and utilities, infrastructure, affordable housing, leisure/hospitality, agriculture, healthcare and asset leasing.

Ausra Maseckyte

CONSISTENT INVESTMENT CHARACTERISTICS

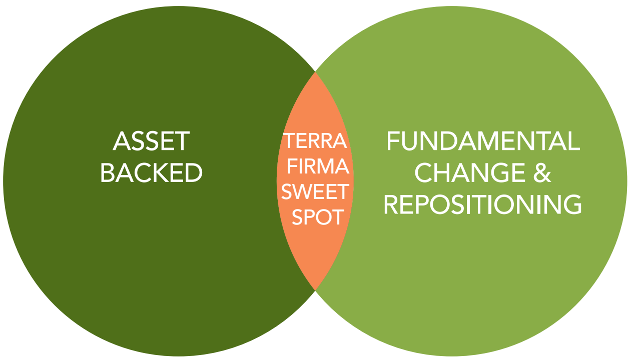
All our investments share two characteristics; they are asset backed and require fundamental change or repositioning.

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.

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.



We have been investing in Europe for twenty years

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 more than 60 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.

BUSINESS AND FINANCIAL REVIEW

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 wide-ranging set of investment and business skills drawn from a variety of backgrounds. The team comprises more than 20 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.

Dominic Spiri

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.

STRATEGY

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, 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, Chris Evans, Elizabeth Filkin, Rupert Gavin, Dieter Helm, Stephen Julius, Dr. Michael Kern, Frank Kinney, Wolfgang Koenig, Stephen Murphy, Klaus Rauscher, 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

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 points 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.

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 ten-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.

Amar Shah, Vinh Pham, Mel Willsmore

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.

Alignment of interest helps create value in businesses over the long term

BROAD-BASED EXPERTISE

Robbie Barr

EMPLOYEE TRAINING AND DEVELOPMENT

Our training and development programme is designed to ensure that our staff 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 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. 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. In 2014, Terra Firma hired five analysts.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work. In 2014, Terra Firma made 12 internships available and plans to offer internship opportunities in 2015.

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.

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 Fabian Lang, a 2014 entrant, comments "The best element of the graduate programme is its breadth of exposure. As an Analyst you will find yourself in a lot of completely different situations, covering every aspect of private equity. That provides you with the experience that you will not find in another graduate scheme."

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.

Rowan Adams, a 2014 entrant, explains "Terra Firma has a very open culture and you can walk into a Managing Director's office at any time. During discussions you are encouraged to participate and bring your ideas to the table. People are very open to what you have to say, even if you are at a junior level."

BUSINESS AND FINANCIAL REVIEW

Greg Newman, Tavraj Banga, Ishan Bharadwaj

For the 2013 intake, the scheme was extended from two years to three years, giving the graduates one full year of working within one or two portfolio businesses, which is key to understanding how our businesses operate and appreciating the challenges they face.

"There is a low level of hierarchy here, and when you join the company you immediately interact with everyone, not only the level immediately above you. As an Analyst, you represent Terra Firma when you work together with the CEOs and CFOs from our portfolio companies, and you work directly together with our Managing Directors." Chris Dravers, 2012 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, History 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 had Arabic lessons in the office twice a week."

Graduates have one full year of working within one or two portfolio businesses

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 UN-supported Principles for Responsible Investment.

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 Tim Pryce, CEO 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 2014 emissions were equivalent to 2,986 tonnes of CO_2, 29 per cent lower than in 2013 mainly as a result of lower travel-related emissions. An element of our carbon footprint was offset at the point of purchase, leaving 2,875 tonnes of CO_2e which we offset by purchasing carbon credits in the voluntary market. In offsetting our 2014 emissions, we invested in three certified projects: a programme supporting low smoke cookstoves in Sudan, and wind and small-scale hydro power generation schemes in Turkey with strong social credentials.

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

We encourage our businesses to implement initiatives that have a positive environmental and social impact

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 it is believed 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.

We are delighted to report that our efforts to develop and implement our responsible investing approach have been recognised by the BVCA, which recently awarded us both of its 2014 BVCA Responsible Investment Awards for firms with over £1 billion under management.

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.

Terra Firma won both 2014 BVCA Responsible Investment Awards for firms with over £1 billion under management

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 nearly £2 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.

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.

CCHF ALL ABOUT KIDS

8-year funding (2009–16)

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.

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The Trust has made total commitments of nearly £2 million

BUSINESS AND FINANCIAL REVIEW

CONTACT THE ELDERLY

3-year funding (2014–16)

Contact the Elderly was set up nearly 50 years ago with the very simple aim of offering a lifeline of friendship to elderly people who live alone with little social support. Supported by a network of volunteers, the charity organises monthly Sunday afternoon tea parties for small groups of older people, aged 75 and over, who live alone. The tea parties are a real lifeline of friendship for the older guests who have little or no contact with family or friends. They bring people of all ages together, help them to develop fulfilling friendships and support networks, and give everyone involved something to look forward to each month.

CORAM

2-year funding (2014–15)

Coram is a national adoption charity which works with vulnerable children, young people and their families, to transform their lives through practical help and support. These children often suffer from neglect, abuse and mental health problems. Coram launched its South London Adoption Service in October 2013 which has allowed it to extend its adoption service into Southwark. Southwark has 40 children waiting to be adopted at any one time and last year just 20 children were placed in adoption, which is below the national average. Coram South London Adoption aims to increase the number of adopters in the area through outreach activity, facilitated by drop-in sessions and adoption information meetings.

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.

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.

REPREZENT

1-year funding (2014)

Reprezent runs a youth-led radio station. Terra Firma's support has helped to train 20 young people in broadcast journalism in Southwark. This training programme targets young people in Southwark who are either not in education, employment or training or at risk of becoming so. Its weekly sessions cover public speaking and vocal training, listening skills, interview techniques and journalism skills such as production and editing.

3

RESPONSIBILITY

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

8-year funding (2008–12, 2014–16)

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 funding (2013–15)

Help a Guernsey Child was established in 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

CORAM

HOW TERRA FIRMA HAS BEEN HELPING TO TRANSFORM LIVES

Imagine what it would be like to be three years old, with no one to turn to, without a mum or dad to love or care for you, or to hug you when you feel happy or sad.

Regrettably, this is the reality for thousands of children across the UK today, including those who have endured the most difficult starts in life, including abuse, trauma or bereavement.

Coram is committed to improving the lives of the most vulnerable children and young people, supporting them from birth to independence to help them reach their full potential – creating a change that lasts a lifetime.

275 YEARS OF MAKING A DIFFERENCE

Founded in 1739, Coram, the UK's oldest children's charity, was established by Royal Charter following Captain Thomas Coram's campaign to secure the provision of care for abandoned children left dying on London's streets.

Having just celebrated its 275th anniversary, Coram is still dedicated to helping the most vulnerable children and now transforms over a million young lives every year. It operates a number of services to support children from birth right through to independence. This vital support ranges from finding adoptive families, to educating school children on the dangers of drugs and alcohol, through to supporting struggling parents and empowering children in care by giving them a voice.

Coram launched the partnership with Terra Firma in 2014 which has already provided a valuable boost to a number of the initiatives in the Southwark area.

HELPING CHILDREN FIND THEIR 'FOREVER' FAMILY

Coram Adoption has one of the highest placement success levels in the country. Coram South London Adoption has been in operation for 16 months and is working hard to increase the number of adopters recruited from this part of the capital.

BUSINESS AND FINANCIAL REVIEW

Terra Firma's support has helped to significantly increase outreach activity and enabled the team to facilitate its first adoption placements for vulnerable children in and around South London. Coram has been able to increase the frequency of drop-in sessions for prospective adopters which has proved a very positive recruitment strategy, resulting in a significant proportion of attendees choosing to adopt through Coram. Adoption information meetings have also been increased – held in various locations across South London – thanks to Terra Firma's support.

SADIQ
"My Advocate is a really good role model and helped me realise that care will one day be a memory and that I should work hard for my future. I have a better understanding of what being in care is all about now, and it has made me stop and think about what I want in life – not to just accept things from them, but to ask for what I want. Before, I used to give up. But now I know it's my life not theirs."

GIVING YOUNG PEOPLE A VOICE

Coram Voice provides vulnerable children and young people in care with an Advocate to listen to their wishes, opinions and fears. It works closely with children in the care system, giving them a voice and empowering them to have a role in decision-making processes that affect their lives. Above all, they have someone who will listen to them, perhaps for the first time.

WAYNE
"I found the advocacy support to be a good experience…I would definitely recommend this to others especially if they are having problems with their social worker…I found I knew more about my rights when I had an Advocate."

With Terra Firma's support, Coram Voice has been able to be very active in Southwark and across South London, working with children in care aged from seven years old to care leavers up to the age of 24. Additional resources have meant Coram Voice has been able to continue to run telephone and face-to-face advice services to provide a lifeline for these vulnerable children and young people.

Coram's telephone and face-to-face advice services provide a lifeline for vulnerable children and young people

SUZIE & ROSE

Aged three and one years' old, Suzie and Rose were placed with a wonderful adoptive family identified by Coram in the South London area. Suzie had been through an extremely traumatic early life, suffering from neglect and witnessing domestic violence between her birth mother and various partners.

The adoption process went well and Suzie and Rose seemed very settled when they moved from their foster home to live with their new family. But after a few weeks, Suzie seemed very confused about her past and became extremely anxious. One of Coram's South London Adoption Team helped prepare a 'Life Story Book' for the adoptive family to read to Suzie; this helped to explain why she had moved from her birth family and foster carer – and to help her piece her life story together.

Coram also supported the adoptive family – helping them to overcome the distress Suzie was going through and developing strategies to help to address Suzie's emotional difficulties. The entire family greatly values the support they received from Coram South London Adoption and both Suzie and Rose are now very settled with their new stable, loving family.

Coram Voice's tireless Advocates have made a difference in so many ways. For example, in the last year alone their work has included keeping children safe by moving them from unsuccessful foster placements, supporting young people out of homelessness and securing funding for educational opportunities.

LOOKING AHEAD

The work that Coram is involved with everyday has a real and lasting impact, whether it is a child leaving care to start a new life with an adoptive family or a young person who feels they are being really listened to for the first time.

This award-winning charity is committed to building on its 275-year legacy and continuing to change young lives for the better in Southwark and beyond.

Names in this article have been changed to protect privacy.

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 BOARD OF DIRECTORS

TFCPL is managed and controlled in the UK. It has a board of UK-based directors comprising two Executive Directors – Tim Pryce and Robbie Barr 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 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 Terra Firma's Responsible Investment Policy which sets out guidelines for 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 Tim Pryce, CEO 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 four Non-Executive Directors; Nigel Carey, John Loveridge, John Stares and Iain Stokes.

William Burnand, Ishan Bharadwaj

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.

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 prominent corporate lawyer in Guernsey who regularly advises banks and mutual funds. Having been a partner in the firm of Carey Olsen (until March 2003, Carey Langlois) since 1977, Nigel retired in 2008 although 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

BUSINESS AND FINANCIAL REVIEW

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 Guernseyman 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.

John 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 world-wide 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 many 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 also Chairman of Governors of More House School, a Trustee of the Arts & 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

Iain Stokes trained and qualified as an Accountant with BDO Binder in Guernsey and subsequently spent seven years with Guernsey International Fund Managers, part of Barings, before joining Mourant International Finance Administration ('MIFA') in 2003 as head of its Guernsey office.

Following a period as Head of Private Equity Funds, in 2008 he became Managing Director with responsibility for Mourant's expanding office network covering North America, Europe and Asia and was a member of the senior team that managed the sale of MIFA to State Street (which completed in April 2010). Iain left State Street in June 2012 to pursue a career as a Consultant. He continues to hold a number of board appointments of fund management and fund investment companies and holds a Diploma in Company Direction from the Institute of Directors

TERRAFIRMA GMBH

The Geschäftsführer of terrafirma GmbH is Tim Pryce and the Prokurist is Patrick Finan.

Dominic Spiri, Fiona Cheong

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, initially, 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.

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 2014, the total cash compensation (annual salary and discretionary bonus) paid to the Senior Team was £11,205,394 and the average for these 12 individuals was £1,034,344. 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 ten 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.

Julie Williamson, Milan Pavlovic, Arnold Vos

BUSINESS AND FINANCIAL REVIEW

GENERAL ACCOUNTABILITY

Ross Brinklow, Niels Berl

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.

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 to 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. These advisers 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

04

Monument Valley Arizona, USA

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

TERRA FIRMA FUNDS

AGGREGATED FUND FINANCIAL STATEMENTS

BALANCE SHEET	NOTE	AGGREGATE 2014 €'000	AGGREGATE 2013 €'000
FIXED ASSETS			
Investments	2(b), 5	4,689,178	6,318,348
CURRENT ASSETS			
Cash at bank		35,333	64,285
Accounts receivable	6	2,369	1,180
CURRENT LIABILITIES			
Accounts payable	7	1,936	3,788
NET ASSETS		**4,724,944**	**6,380,025**
PARTNERS' LOAN AND CAPITAL ACCOUNTS		**4,724,944**	**6,380,025**
Revaluation surplus not included in Net Assets		2,593,259	3,236,607
Estimated Fair Value of Net Assets		**7,318,203**	**9,616,632**

PROFIT AND LOSS STATEMENT	NOTE	AGGREGATE 2014 €'000	AGGREGATE 2013 €'000
INCOME AND EXPENDITURE			
Bank interest	2(d)	27	54
Other income		3	61
Foreign exchange gain	2(e)	81	1,568
Interest on investments	2(d)	302,576	79,870
Realised gain on investments		1,371,812	726,754
Partnership expenses		(9,036)	(16,698)
Foreign exchange loss	2(e)	(154)	(15,366)
Auditor's remuneration		(332)	(302)
Bank charges		(19)	(23)
NET RESULT FOR THE YEAR		**1,664,958**	**775,918**

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

NOTES TO THE FINANCIAL STATEMENTS

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. 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. whose functional currency is British pounds) 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 of investments is disclosed in aggregate in Note 5 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 Co-Investment 1 L.P. and Terra Firma Special Opportunities Fund I, L.P. have been translated into euro at the reporting date.

3. ALLOCATION OF PARTNERSHIPS' PROFITS AND LOSSES

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

4. 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.

5. INVESTMENTS

	AGGREGATE 2014 €'000	AGGREGATE 2013 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS:		
As at 1 January	6,318,348	6,421,602
Additions during the year	145,565	90,042
Disposals during the year	(1,810,312)	(182,151)
Foreign exchange impact	35,577	(11,145)
COST OF INVESTMENTS AT 31 DECEMBER	**4,689,178**	**6,318,348**
ESTIMATE OF FAIR VALUE	**7,282,437**	**9,554,955**

6. ACCOUNTS RECEIVABLE

	AGGREGATE 2014 €'000	AGGREGATE 2013 €'000
Drawdowns receivable	2,106	886
Recoverable costs receivable	263	294
	2,369	**1,180**

NOTES TO THE FINANCIAL STATEMENTS

7. ACCOUNTS PAYABLE

	AGGREGATE 2014 €'000	AGGREGATE 2013 €'000
Costs payable	1,936	3,788
	1,936	**3,788**

8. 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 advisers, including TFCPL.

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

LIQUIDITY RISK

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

CURRENCY RISK

The Partnerships generally report in 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
Old Bank Chambers
La Grande Rue
St Martin's, GY4 6RT
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Boards of Directors of the General Partners

Nigel Carey
Guy Hands
John Loveridge
Tim Pryce
John Stares
Iain Stokes

Administrator

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Funds' Auditor

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General Partners' Auditor

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carbonclear®

Terra Firma is a carbon neutral business, offsetting emissions resulting from our operations and our business travel

Cover image: Lake Powell, Arizona, USA

All landscape photography by Richard Waite
Designed and produced by Dusted.