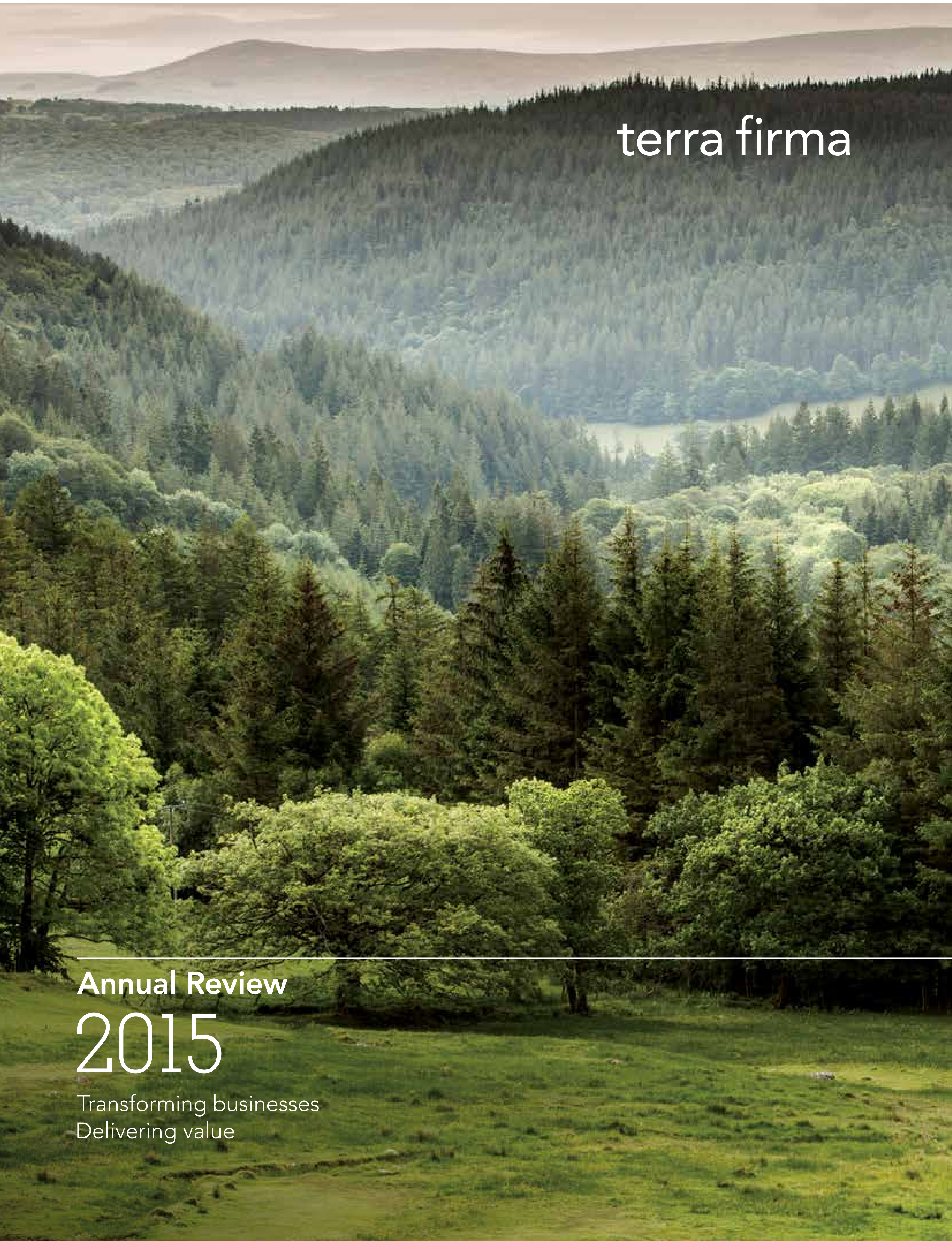


terra firma

Annual Review 2015

Transforming businesses
Delivering value

TERRA FIRMA
TRANSFORMING BUSINESSES
DELIVERING VALUE

LETTER FROM THE CHAIRMAN

2015 was an exciting year for Terra Firma

LETTER FROM THE CHAIRMAN

June 2016

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

2015 was an exciting year for Terra Firma. We achieved two exits, we expanded our senior team, we continued to make progress with our portfolio businesses and we improved our alignment with investors, putting Terra Firma on a strong footing for growth in 2016 and beyond.

In September, we completed the sale of Tank & Rast, the largest chain of motorway service stations in Germany which Terra Firma had partially exited in 2007. Terra Firma invested significantly in improving Tank & Rast's service stations and developing a better customer experience. Our operational strategy transformed the company into one of Europe's highest quality infrastructure assets.

The sale of Tank & Rast has been widely recognised for its scale as well as Terra Firma's incredible transformation of the business, winning three industry awards in 2016.

AWAS, a leading aircraft leasing business, agreed in March to sell a portfolio of 87 aircraft, and also made smaller aircraft disposals throughout the year. These disposals have left AWAS with a younger, more concentrated portfolio for the business to manage.

Thanks to these two disposals, Terra Firma was able to return €1.4 billion to its investors in 2015, an indication of the significant value that we have generated across the portfolio.

We continued to invest in our portfolio businesses as we make progress on their transformation. Terra Firma invested €1.4 billion in their development last year. Together, Terra Firma's portfolio businesses employed more than 40,000 people in 2015, and generated earnings of €4.4 billion.

LETTER FROM THE CHAIRMAN

INVESTING IN TALENT

During 2015, Terra Firma continued to invest in hiring talent for our future. In September, we were pleased to welcome Justin King as Vice Chairman and Head of Portfolio Businesses.

Justin was previously CEO of leading UK retailer J Sainsbury from 2004 until 2014. He brings to Terra Firma over thirty years' experience of growing consumer goods and retail businesses, as well as the experience of leading a FTSE 100 business through a successful turnaround.

In late 2015 and early 2016, we made several appointments to our Senior Investment Team in order to take advantage of the opportunities that we see in the market. We have been pleased to welcome four new Managing Directors: Jyrki Lee Korhonen, Peter Miholich, Michele Russo and Alex Williams.

We also recently welcomed a new Human Resources Director, Ffion Griffith.

We strengthened Terra Firma's Senior Management Team in 2015 with the promotion of Trudy Cooke and Dominic Spiri to COO and CFO, respectively.

Terra Firma is committed to building a pipeline of internal talent to complement the people we hire externally. In 2011, we were one of the first private equity firms to offer a dedicated programme to recent graduates and in 2015, we were pleased to welcome our six newest analysts, from a total of 2,500 applicants.

INVESTOR ALIGNMENT

In addition to making progress with our existing investments and building our team, we have also been listening to our investors. In 2015, we took a number of steps to strengthen our alignment with them.

Terra Firma has long believed in transparency and alignment; we were one of the first major private equity firms to not charge any monitoring, board, financing or M&A fees.

We were therefore proud to announce in 2015 another first for our industry: going forwards on new funds, we will no longer charge fees on uninvested capital.

Terra Firma is also committed to taking a 10 per cent stake in any investment we make going forwards, ensuring alignment with investors by being a significant investor ourselves.

We have historically been one of the largest investors in our own funds. For this reason, the successful exits of recent years have provided Terra Firma with €1 billion of capital to invest.

LETTER FROM THE CHAIRMAN

RESPONSIBLE OPERATORS

As part of our holistic approach to being a responsible business, we believe that the consideration of environmental, social and governance issues makes good business sense, supports alignment of interests and helps to create long-term sustainable value, alongside providing important benefits to the wider community.

In 2015, we were pleased to demonstrate Terra Firma's commitment to being responsible owners and operators of businesses by becoming a signatory to the Global Investor Statement on Climate Change. This statement, which was signed by 404 investors representing $24 trillion in assets, recognises the risks of climate change and sets out the contribution that we as investors will aim to make to increase low-carbon and climate-resilient investments.

Each year, Terra Firma Capital Partners donates 10 per cent of its annual pre-tax profits to charitable organisations. Terra Firma's charitable programme focuses on organisations which support our local communities, and this year we are proud to feature one of our newest charities, Contact the Elderly, in the Annual Review on page 114.

We also encourage our businesses to develop community programmes which are aligned to their strategies. You can read more about some of their specific initiatives in the Portfolio Business Review section of this report.

MARKET OUTLOOK

At the time of writing, the global political and macroeconomic environment is growing ever more uncertain. In June 2016, a referendum on the UK's membership of the European Union resulted in a vote to leave, throwing the UK, Europe and the rest of the world into months, or even years, of uncertainty.

November will see the next presidential election in the US, with the outcome there still hotly contested. Against a backdrop of slowing global growth, the threat of terrorism and political instability in a number of strategically important countries, these highly consequential events are increasing the challenges that investors face.

For decades, the US organised and sponsored an international system of treaties and alliances which ensured relative peace, particularly in the West. The period between the end of the Second World War and the beginning of the financial crisis in 2007 saw unprecedented prosperity, with developed countries growing rich and hundreds of millions of people in emerging economies leaving poverty behind to join the global middle class.

LETTER FROM THE CHAIRMAN

Most investors alive today came of age during this period, and have only known peace and prosperity with the occasional interruption. However, the US has signalled its reluctance to continue underwriting global peace, and already the effects can be seen in failed Middle Eastern states as well as resurgent Russian and Chinese militarism.

I believe it is unlikely that we will soon find a new basis for international political stability to replace American hegemony, and so I foresee years, if not decades, of an unpredictable and uncertain political environment, with a detrimental effect on the global economy.

This new environment will call for a new approach to investment.

Private equity has been undergoing a change for several years now, with firms diverging between the mega-players, who can offer investors variety but can largely only deliver leveraged beta because of their scale, and the smaller firms who aim to offer differentiation. The mega-firms are attracting ever increasing amounts of capital by virtue of their reputation, at the expense of undifferentiated smaller players.

To thrive in this environment, smaller and mid-size players need to identify their niche and commit themselves to it. It is essential to explain to investors what your unique capabilities are as a private equity firm, and why those capabilities are relevant in today's environment.

At Terra Firma, we have been transforming businesses into best-in-class operators for over 20 years. In Europe, we see many opportunities to acquire businesses and transform them into robust and successful operators, especially in the face of challenges as diverse as regulatory change, privatisation, austerity and rapid technological transformation.

In Europe, we see many opportunities to acquire businesses and transform them into robust and successful operators

LETTER FROM THE CHAIRMAN

CONCLUSION

The past year has been very successful for Terra Firma. We successfully exited or partially exited two businesses, we grew our senior team, our businesses continued to make progress and we strengthened our alignment with investors.

2016 is a busy year for Terra Firma. We have an experienced team of investors and operators who are developing the businesses in our portfolio and investigating new investment opportunities for our €1 billion of capital. We are also working more closely than ever with all our stakeholders, including our investors, our businesses and their employees, and our communities, to bring about positive change and growth in an uncertain world.

On behalf of all of us at Terra Firma, I would like to thank all of our stakeholders for their support in 2015. I would also like to thank the management and employees of our portfolio businesses, along with the Terra Firma team, for their accomplishments over the past year.

With best wishes,

Guy Hands

Contents

01 EXECUTIVE SUMMARY

Pencraig,Gwydyr Forest, near Betws y Coed, Snowdonia National Park

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 invest in 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.

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.

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.

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 2016

EXECUTIVE SUMMARY

Guy Hands, Dominic Spiri, Justin King

AT A GLANCE

Leading
ONE OF EUROPE'S LEADING PRIVATE EQUITY FIRMS

Invest
WITH A LONG-TERM PERSPECTIVE

1994
INCEPTION

€16 billion
INVESTED IN 33 BUSINESSES

€48 billion
ENTERPRISE VALUE OF PORTFOLIO BUSINESSES IN WHICH TERRA FIRMA HAS INVESTED

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'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 in our size, diversity and skill base.

The Terra Firma advisory team is made up of around 80 people in London, Guernsey and Beijing drawn from more than 20 countries and speaking 25 languages. They come from a wide variety of backgrounds including industry, finance, consultancy, private equity, law and accountancy.

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 a carried interest structure ensures that we are strongly incentivised to maximise returns for the benefit of all our investors, through developing and growing successful businesses.

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 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.

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.

Our efforts to develop and implement our responsible investing approach have been recognised by the British Private Equity and Venture Capital Association ('BVCA'), which 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.

A report published in March 2016 by the Private Equity Reporting Group – the group created to monitor private equity firms' compliance with the Guidelines for Disclosure and Transparency in Private Equity – featured three examples from one of Terra Firma's businesses as examples of good disclosure.

EXECUTIVE SUMMARY

2015 HIGHLIGHTS: TERRA FIRMA

€1.4 billion

RETURNED TO INVESTORS THROUGH TWO SUCCESSFUL EXITS

INVESTOR PARTNERSHIP

Terra Firma announced it will no longer charge fees on uninvested capital, a first for the industry

1st

APPOINTMENT OF JUSTIN KING

Justin King, former CEO of Sainsbury's, a FTSE 100 company, joined Terra Firma as Vice Chairman and Head of Portfolio Businesses

10%

of Terra Firma Capital Partners Limited's profits before tax given to charity

EXECUTIVE SUMMARY

TERRA FIRMA SIGNED THE GLOBAL INVESTOR STATEMENT ON CLIMATE CHANGE

€1 BILLION

OF CAPITAL AVAILABLE FOR INVESTMENT THANKS TO SUCCESSFUL EXITS

TERRA FIRMA WON 3 AWARDS FOR ITS 2015 EXIT OF TANK & RAST

TANK & RAST

EXECUTIVE SUMMARY

2015 HIGHLIGHTS: PORTFOLIO BUSINESSES

ANNINGTON

Annington sold 490 homes, driven by the sale of 142 units at Whetstone, London

AWAS

AWAS divested 120 aircraft during the year, approximately one third of its fleet, in order to take advantage of a strong market and improve the balance of its portfolio

CPC

CPC acquired a majority stake in its Indonesian feedlot operator, strengthening its northern operations

everpower

EverPower developed and sold the 98 MW New Creek site in West Virginia

Four Seasons HEALTH CARE

Four Seasons' Quality of Life Programme won a Silver Award in the Customer Experience Awards

EXECUTIVE SUMMARY

Infinis generated 2,508 GWh during the year, enough to power the city of Manchester

Odeon & UCI regained its position as the No. 1 cinema brand by revenue market share in the UK

RTR's best-in-class solar photovoltaic platform achieved 99 per cent availability

Terra Firma completed the sale of Tank & Rast to a consortium of investors

Wyevale acquired four new sites and added 192,000 square feet of retail space

EXECUTIVE SUMMARY

PORTFOLIO BUSINESS PERFORMANCE

EBITDA BY PORTFOLIO BUSINESS	CURRENCY	2014	2015
Annington[1]	£m	172	194
AWAS[3]	$m	1,081	1,022
CPC[1]	A$m	22	38
EverPower	$m	65	60
Four Seasons Health Care Group	£m	79	55
Infinis[1, 2]	£m	143	132
Odeon & UCI	£m	53	95
RTR	€m	127	121
Wyevale Garden Centres	£m	56	55

[1] Based on 12 months to March 2015 and March 2016
[2] Unaudited figures
[3] Based on 12 months to November 2014 and November 2015

EXECUTIVE SUMMARY

VALUE CREATION – THE ODEON STORY

ODEON & UCI CINEMAS GROUP

MOVING WITH THE TIMES

Today's cinema industry is part of an increasingly complex and fragmented entertainment world.

A trip to the cinema has always had to compete with sport, concerts and other live events. Odeon & UCI's response has been to continually upgrade the customer experience – everywhere from the screen technology and the content to the refreshments. The company is giving consumers a reason not just to go to the cinema, but to choose Odeon & UCI when they do.

IMPROVING THE JOURNEY

With the customer journey beginning way before the opening credits, Odeon & UCI has set about transforming every touchpoint, starting with the searching and booking experience.

The company's investment in a mobile-optimised website and apps has made the process of seeing what's on and booking tickets a seamless one. Odeon & UCI is rolling out the option for customers to print their tickets at home or display them on their mobiles, or to use the upgraded self-service machines in the cinema lobbies. Odeon & UCI has also begun to remove online booking fees, giving cinema goers more reason to book ahead rather than wait in line at the cinema.

A BLOCKBUSTER ENVIRONMENT

To create a cinema environment that can compete with both the major brands and the growing number of local independents, Odeon & UCI is investing in a rolling programme of refurbishment that has transformed its properties from the interiors to the technology.

All Odeon & UCI screens now feature digital projection and the company is leading the way in 3D, IMAX and isense screens, bringing an immersive cinema experience to an even wider audience. There's free wi-fi for customers and iBeacon, which delivers content to mobile customers based on their location, is being used to welcome people to the cinema and share information. Inside the auditoriums, premium seating has been introduced in all territories as part of the drive to deliver a more targeted cinema offering.

MORE THAN MOVIES

This targeting also extends to content. Odeon & UCI has been steadily broadening the range and availability of its on-screen offerings. More movie times and additional 3D slots are two examples of how the brand is giving movie fans more flexibility and choice.

VALUE CREATION

The company is also building partnerships that are bringing new audiences to the cinema. Live streaming of internationally renowned theatre, opera and ballet, for example, have proved extremely popular and have become a regular feature on the Odeon & UCI slate.

FOOD AND BEVERAGE

Refreshments have always been an integral part of the cinema experience, and Odeon & UCI have invested heavily in moving the product along from the popcorn-and-soft drink combo that's traditionally associated with the movies.

Responding to food and beverage trends that are firmly established in the high street, the company is bringing people's favourite brands into the cinema, creating more vibrant, social spaces. Costa Coffee franchises, sandwich bars, pizza restaurants and cocktail lounges have all been added to the estate, and Odeon & UCI is now one of the largest franchisees of Ben & Jerry's in the world.

It's not just about more choice either; healthier options are also high on the agenda. Odeon & UCI has led the way in stocking more low-sugar or sugar-free drinks and is also pioneering new popcorn options – from gourmet to healthy.

LEADING THE NEXT PHASE

To lead the next phase of its transformation, Odeon & UCI recruited a new senior management team led by CEO Paul Donovan in 2014. With experience from the telecoms, hotel & leisure, retail and consumer goods sectors, the team's blend of skills is the ideal complement for a cinema brand intent on modernising, tailoring and enhancing its customer experience.

Across the business, the focus has been on strengthening the team and creating a high performance culture. Odeon & UCI has prioritised investing in and incentivising the cinema staff so they are equipped and motivated to deliver an outstanding experience to Odeon & UCI's millions of regular cinemagoers.

PERFECTLY POSITIONED

The brand's clear focus on the customer has yielded year-on-year growth, with more people flocking to Odeon & UCI's screens and spending more during their visit.

EXECUTIVE SUMMARY

The company is giving consumers a reason not just to go to the cinema, but to choose Odeon & UCI when they do

This has contributed to Odeon & UCI outperforming it targets in 2015–2016 with 77 per cent EBITDA growth. Attendance is up 14.5 per cent to 89.5 million, and retail revenue up 23 per cent. Tellingly, market share is up 0.6 per cent to 19.4 per cent, building on the company's leading position in the key European markets and leading to Odeon regaining the number one market share position in the UK and Ireland.

What's also encouraging is that Odeon & UCI's strengthening competitive performance is happening against a backdrop of strong and stable cinema attendance across the continent. Building on this solid foundation, Odeon & UCI is ideally positioned to continue to move with the entertainment times and lead the way in finding new and better ways to delight its customers.

02 PORTFOLIO BUSINESS REVIEW

Llyn Idwal, Snowdonia National Park

LETTER FROM THE HEAD OF PORTFOLIO BUSINESSES

I am looking forward to playing a key part in the future growth of Terra Firma

LETTER FROM THE HEAD OF PORTFOLIO BUSINESSES

May 2016

I was very pleased to join Terra Firma as Vice Chairman and Head of Portfolio Businesses in the autumn of 2015. After 30 years working in food and consumer goods, including 10 years as CEO of UK supermarket chain Sainsbury's, I was ready for a new challenge. After exploring many options, I concluded Terra Firma offered the greatest opportunity to apply my skills in growing, transforming and developing businesses.

For someone like me, with a background in operating businesses, Terra Firma's approach of delivering value through business transformation aligned with my own view of how value is added in a growth or turnaround situation. Terra Firma offered variety and the opportunity to work closely on nine businesses, all at different stages of ownership. I am looking forward to playing a key part in the future growth of Terra Firma.

Guy Hands has spoken publicly about his ambition to adapt Terra Firma to a rapidly changing investment industry. While a key element of Terra Firma's approach will remain the transformation of businesses into best-in-class operators, in future we will aim to work in closer alignment with our investors, focusing on fewer, deeper relationships, a partnership which will support our long-term approach to investment.

Since joining Terra Firma I have taken the opportunity to get to know all of the businesses under our ownership and their management teams. I am pleased to report that I have been impressed by those at every level within the businesses. Notwithstanding this, in the past few months we have made some changes to management teams to reflect the particular challenges the businesses face and strengthen their leadership.

There are a number of great opportunities across our current portfolio as well as in the wider market

LETTER FROM THE HEAD OF PORTFOLIO BUSINESSES

Overall, there is strong alignment between Terra Firma's interests and those of its investors. This is reflected in the business plans which we have developed together with management. With good alignment created by appropriate incentivisation, our management teams are highly motivated to deliver on our behalf.

OUR BUSINESSES

Annington continued to perform strongly in 2015. The business sold 490 properties in 2015, well above the number sold in the previous year, driven by the sale of 142 units at Whetstone, London. This increased volume helped drive higher profits at Annington.

At AWAS, the team has completed the sale of 87 aircraft to Macquarie announced in March 2015, as well as the sale of a portfolio of 29 older aircraft that was agreed in July 2015. We were also pleased to appoint a new CEO, David Siegel, in 2016. David brings with him more than three decades of experience, most recently as CEO of an airline company. Before David joined, AWAS's Chairman Dr Werner Seifert stepped in as Executive Chairman to lead the company while the search for a new CEO was underway, and we thank him for his excellent stewardship of the business during that time.

CPC performed very well in 2015 thanks to an increase in the price of cattle which stayed firm throughout the year. The business increased its stake in its Indonesian joint venture partner, JJAA, as the business sought to improve connectivity to downstream margin opportunities in its key export market.

EverPower's total generation rose in 2015, driven by a full-year's generation at Big Sky. However, full-year revenues were down due to lower wind volumes at Mustang Hills, which accounts for a high proportion of revenue, and lower merchant power prices and merchant Renewable Energy Certificate sales. Against the backdrop of the successful sale of its New Creek development, which resulted in an $8 million gain, the business is accelerating the development of a number of pipeline projects including Mud Springs (Montana), Scioto Ridge (Ohio) and Mason Dixon (Pennsylvania). These are expected to reach construction-ready status in 2017 in order to capitalise on the recent extension of the Federal incentive scheme, the Production Tax Credit.

Four Seasons Health Care continued to face a number of challenges in 2015: the cost of providing high-quality care continues to rise, while the fees being paid by local councils were cut, and the regulator increased its scrutiny, requiring additional hiring and therefore higher employment costs.

LETTER FROM THE HEAD OF PORTFOLIO BUSINESSES

Nevertheless, Terra Firma's strategy for the business has been bearing fruit. The business has been divided into three distinct brands focused on different market segments, each with its own CEO, allowing them to focus on the particular needs of their own customers. This has led to increased customer satisfaction and a significant reduction in embargoes of Four Seasons care homes.

As a result of consistent lobbying by the industry, in which Four Seasons played a full part, the Government announced a two per cent precept for social care in the Chancellor's Autumn Statement. We are pleased to report that the vast majority of councils have taken the opportunity to raise this and it is a helpful backdrop to ongoing fee negotiations.

Infinis has faced a significant challenge with a changing renewable energy regime in the UK. After the government changed the rules around renewable energy tariffs, Terra Firma reviewed all options for the business and took the decision to acquire the approximately 30 per cent of Infinis which it had previously floated on the London Stock Exchange. The original thesis behind floating the business was no longer valid as development sites which would fall under the new regime would not be commercially viable. This transaction gives Terra Firma more flexibility when considering its exit options for the business.

2015 was a fantastic year for Odeon & UCI. The current management team made the decision early on to put customers and employees at the heart of the business, and that strategy has proven very successful. They made significant operational changes, such as removing online booking fees, making it easier and more convenient for customers to pre-book their tickets. In addition, 2015 was helped by a strong film slate, including the latest Star Wars and James Bond films.

RTR has been dealing with an increasingly strict regulatory environment in Italy. While this has presented some challenges for RTR, it has also made it more difficult for smaller competitors to operate, presenting a significant opportunity for industry consolidation. RTR is in a good position to act as a consolidator as it has significant cash on its balance sheet to invest in acquisitions.

In September 2015 Terra Firma completed the successful exit of Tank & Rast. That transaction took place prior to my joining Terra Firma, but it is worth noting that the business which was sold in 2015 was a remarkably better business than that which was acquired by Terra Firma in 2004.

LETTER FROM THE HEAD OF PORTFOLIO BUSINESSES

Tank & Rast's management team executed a significant operational turnaround which was supported over the long term by Terra Firma. This included more than €500 million of capital expenditure, which enabled Tank & Rast to deliver a series of customer-friendly initiatives. This extraordinary transformation of Tank & Rast has been recognised with numerous industry awards.

Wyevale Garden Centres saw a slight decline in profit in 2015 as the business pursued a major change programme encompassing its store footprints, concessions, product categories, technology and procurement. The poor British weather certainly did not help. In 2016, we appointed a new leadership team at WGC who have significant retail experience and can drive the next phase of operational improvement in the business.

CONCLUSION

One of my key objectives at Terra Firma is to improve the strength and depth of our operational team. This means building the management teams at our portfolio businesses, upon whom we rely to deliver our transformational strategies. It also means maximising our relationships with our senior partners, the most experienced and loyal Terra Firma employees and business directors who are now part of our wider network of senior advisers and operating partners.

As the business builds its pipeline of new deals, we will continue to look for individuals with the right operational skills to grow and transform the businesses we invest in.

I'm very pleased to be working with Terra Firma in its strategy of delivering value for investors by growing and transforming businesses into best-in-class operators. There are a number of great opportunities across our current portfolio as well as in the wider market, and I am looking forward to the challenge.

With best wishes,

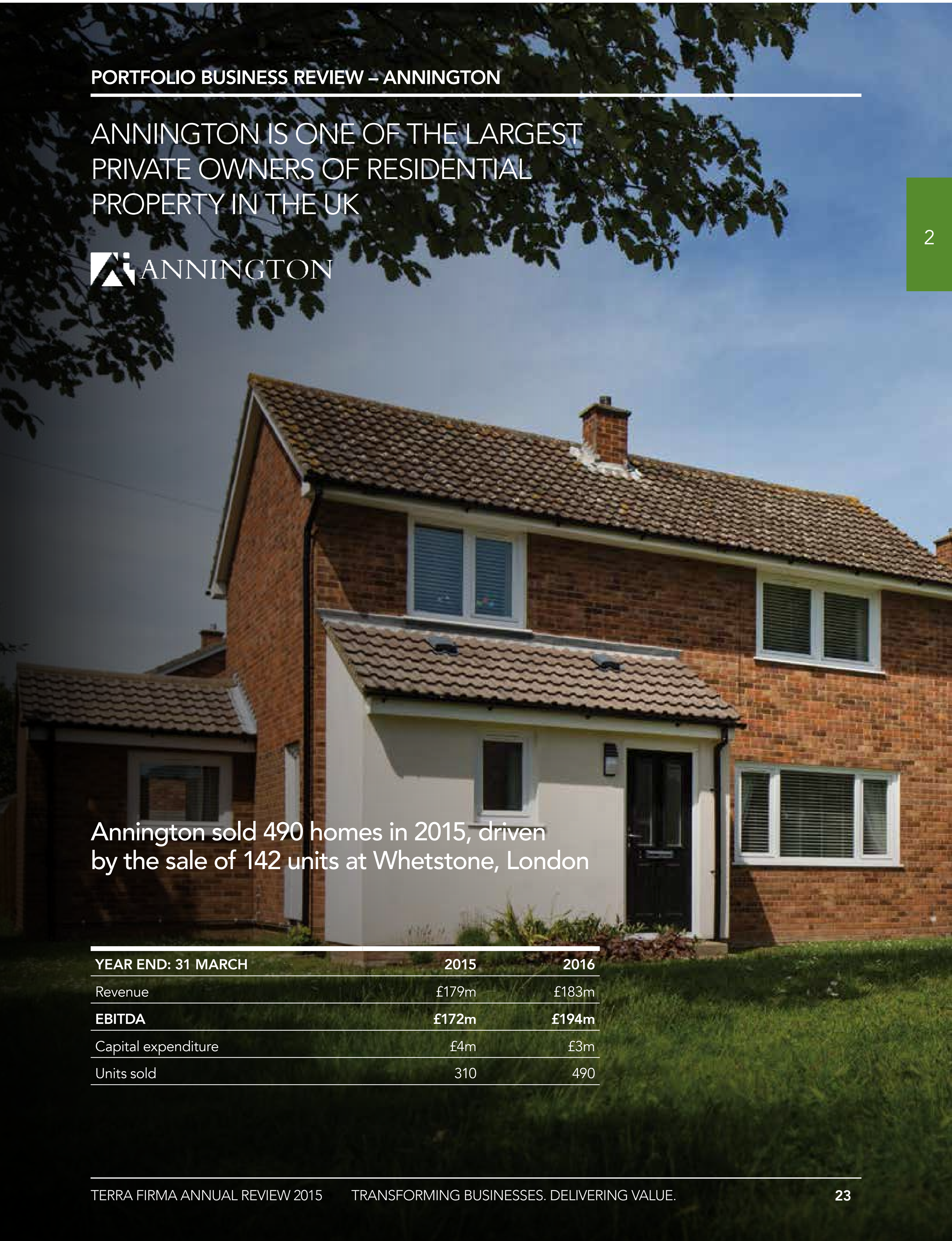
Justin King

PORTFOLIO BUSINESS REVIEW

INTRODUCTION

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

ANNINGTON

Annington sold 490 homes in 2015, driven by the sale of 142 units at Whetstone, London

YEAR END: 31 MARCH	2015	2016
Revenue	£179m	£183m
EBITDA	**£172m**	**£194m**
Capital expenditure	£4m	£3m
Units sold	310	490

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 its 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 nearly 18,000 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 around 1,300 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 appointed 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.

At the end of 2015, Annington issued new subordinated loan notes, which will provide a cash saving to Annington and reduce its refinancing exposure.

CURRENT FINANCIALS

Annington generated £183 million of revenue in the full year to March 2016, £4 million above the prior year, which was driven by uplifts following the 2014 and 2015 rent reviews. These rental uplifts enabled the business to increase revenues despite a lower number of units being rented by the MoD.

Annington sold 490 properties during the year compared with 310 in the previous financial year, driven by the sale of 142 units at Whetstone, London.

EBITDA for the year was £194 million, £22 million above the prior year. This was largely due to increased sales volume.

CURRENT DEVELOPMENT PLAN

When surplus properties are released by the MoD, they are refurbished and rented or sold by Annington on the open market. Annington 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.

Annington is already actively engaged in preparations for the first Site Review in 2021 and is working with appropriate professional advisers to ensure that it brings a similarly high degree of focus to its preparation for the Site Review as it does to the Rent Reviews.

PORTFOLIO BUSINESS REVIEW – ANNINGTON


James Hopkins


Andrew Chadd, James Hopkins

MANAGEMENT

James Hopkins

Chief Executive Officer

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

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

Opening doors to eager buyers

Left: Gemma in her kitchen

Right: With partner, Esther, outside their Annington home in High Wycombe

PORTFOLIO BUSINESS REVIEW – ANNINGTON

The rising price of UK property, particularly in the south east, has made home ownership an impossible ambition for many in recent years.

And the difficulty of securing a mortgage and saving for ever-larger deposits has compounded the problem still further. Yet against this backdrop, Annington has helped nearly 18,000 people buy a home, including thousands of Service personnel, first-time buyers and key workers.

By refurbishing MoD properties that have become surplus to requirements and bringing them to the public market, Annington is opening doors to buyers who might otherwise be priced out or forced to live far from their chosen location.

A family home to grow into

First-time buyers Gemma Harmycz and Esther Caesar-Gordon are just one couple who have been able to make that first critical step on the ladder. They found their perfect home in Walters Ash, a rural village four miles from High Wycombe.

"Walters Ash is a very calm, peaceful area that makes you feel like you are in the middle of the countryside, but at the same time it's only 15 minutes from town," says Gemma. "We're within walking distance to convenience stores and local pubs, and have access to large woodlands and parks. The local people are friendly and welcoming with a real sense of community spirit."

Now based just 30 minutes from their respective jobs, the couple are delighted with their new work/life balance and feel settled in their new home. "The plan is to raise a family here and only move if we outgrow the house," says Gemma. "We have already mentioned to friends looking to buy to keep an eye out for future homes for sale like ours!"

Up and coming

Theatre Director Sarah Spencer also recently moved into a property at Walton Ash, grabbing a rare opportunity to buy something affordable in an up and coming location.

"Few properties ever come up for sale in this price range in this area, so when I saw the property I knew I had to snap it up," she comments. "These homes are convenient to town and have provided an excellent chance to build a new community."

Cutting the commute

For Twana Mahmood and his wife, buying a home in Jupiter Heights in Uxbridge meant a better quality of life and more family time with their two young children. Twana, who works in television production, swapped a three-hour commute from East London to a 20-minute drive to work.

"We were living with my parents in east London," explains Twana, "but as we were expecting our second child we wanted to buy our own home. Jupiter Heights is located in a secure, peaceful area. It's a fantastic location, with plenty of green space on our doorstep, and we have a lovely view from our home. It's been the perfect move for our family."

Annington has helped nearly 18,000 people buy a home, including thousands of Service personnel, first-time buyers and key workers

PORTFOLIO BUSINESS REVIEW – AWAS

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

AWAS agreed to the sale of two portfolios of aircraft during the year, approximately one third of its portfolio, in order to take advantage of a strong market and improve the balance of its portfolio

YEAR END: 30 NOVEMBER	2014	2015
Revenue	$1,177m	$1,214m
EBITDA	**$1,081m**	**$1,022m**
Operational Profit Before Tax	**$333m**	**$289m**
Capital expenditure	$2,070m	$1,240m
Number of aircraft	314	257

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 had customer concentration issues. Furthermore, 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 120 people managing over 250 aircraft.

DEVELOPING THROUGH CAPITAL EXPENDITURE

AWAS had historically invested in a significant delivery pipeline with Airbus and Boeing for over 100 modern, fuel-efficient aircraft. These aircraft have now all been delivered with the exception of three A350s due for delivery in 2017–2018. 18 other aircraft were acquired from airlines and other lessors through purchase and lease back and trading activities during AWAS's financial year.

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.

PORTFOLIO BUSINESS REVIEW – AWAS

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

CURRENT FINANCIALS

AWAS divested a large number of aircraft during its year ended November 2015, the financials of which are included in the 2015 results. This was undertaken in order to benefit from a strong market environment for younger aircraft and to improve the balance of the AWAS portfolio.

AWAS performed well during its financial year. Revenue of $1,214 million was $37 million above the prior year. The benefit from this was offset by the loss on transfer of aircraft to being held-for-sale and increased aircraft maintenance and administration expenses. Overall, this resulted in EBITDA of $1,022 million, a year-on-year fall of $59 million.

Operational Profit Before Tax (AWAS's bottom-line measure of operating performance which reflects depreciation and interest costs) was $289 million in 2015, $44 million below the prior year.

Capital expenditure in 2015 was lower than the previous year due to lower spend on investment aircraft.

CURRENT DEVELOPMENT PLAN

The International Air Transport Association reported a 6.5 per cent growth in global air passenger travel for 2015. This was the fastest pace since the rebound seen in 2010 after the financial crisis, and well above the 10-year average annual growth of 5.5 per cent.

In March 2015, Terra Firma and AWAS announced the sale of an aircraft portfolio to Macquarie. The portfolio comprised a fleet of 87 predominantly young, narrow-body aircraft.

Additionally, the business disposed of a number of aircraft to optimise asset concentrations and to manage aircraft approaching the end of their life. As part of this disposal plan, in July 2015, AWAS agreed to sell a portfolio of low-yielding aircraft via an asset-backed securitisation. This portfolio comprised a mix of 29 narrow- and wide-body jet aircraft that had an average age of approximately 16 years old and was leased to 16 lessees based in 14 countries.

As at its year ended November 2015, AWAS owned 257 aircraft and an original equipment manufacturer delivery pipeline of three aircraft. A number of aircraft from the two portfolio disposals, which will be transferred to the buyers in 2016, are included within the number of aircraft at year end; once these transactions are complete, AWAS will own just over 200 aircraft. AWAS will continue to optimise its remaining portfolio and explore different strategic options.

PORTFOLIO BUSINESS REVIEW – AWAS

David Siegel

Simon Glass, Robin Boehringer

MANAGEMENT

David Siegel

Chief Executive Officer

David joined the business as CEO in 2016. David brings some 32 years of experience across multiple sectors to AWAS, most recently as CEO at Frontier Airlines Inc. Prior to Frontier, David held a number of senior positions within the global aviation industry including CEO of XOJET and US Airways, and senior roles in Continental Airlines and Northwest Airlines. He has also held senior positions in other sectors, including car rental and catering/food service.

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 in 2012. He brought with him a wealth of experience in the aviation sector, including as a Partner in the Aviation practice of Oliver Wyman, with a particular focus on strategy development and financial analysis.

Marlin Dailey

Chief Commercial Officer

Marlin Dailey was appointed as CCO of AWAS in 2013. Marlin joined from Boeing, where he served in several executive leadership roles, including President, Boeing Germany, Northern Europe, EU & Africa. His experience in the commercial aviation industry spans over four decades and he is a fellow in the Royal Aeronautical Society, as well as a Board Member of The Wings Club.

PORTFOLIO BUSINESS REVIEW – AWAS

Support where it's needed most

Members of the AWAS team show their support for the Jack and Jill Foundation

PORTFOLIO BUSINESS REVIEW – AWAS

Since 2010, AWAS and its employees have done a great deal to support the Jack and Jill Foundation, a charity which helps children with life-threatening neurological disorders.

It works with youngsters and their families across Ireland, making sure they have access to the treatment, compassion and care they so desperately need.

Helping children in need is a core part of the AWAS Corporate Social Responsibility charter, so every year the team hosts a range of events to generate funds and awareness for this great cause.

Original fundraising ideas

The annual charity table auction organised by employees is a key fundraiser. With items going under the hammer that have been generously donated by the company's key business partners and suppliers, it's a fun evening that generates significant funds for the Jack and Jill Foundation.

'Jeans Days' are another popular and successful way to raise money. By making a donation – which is also matched by the company – employees can wear jeans for the day and demonstrate their support for the Foundation.

AWAS also bought art at the charity's hugely successful Pigs on Parade auction. This was a public arts initiative that saw 100 artwork pigs, each decorated by a leading artist, on display in public areas around Dublin in February 2015.

Making a difference in so many ways

The money that AWAS raises through its various initiatives each year is used to support all areas of the Foundation's work.

As well as providing nursing care and support for children with severe neurological development issues, the Foundation also offers some respite to the parents and families. This could be through home visits from nurses, with practical tips on how to access the services a child will need or listening to what parents want for their child and making representations on their behalf.

The Foundation also provides bereavement support and an online forum where parents can share their experience and support each other. Another way it can help is through providing direct funding to families, enabling them to pay for the home respite care that they need to give them a break. At a more strategic level, the Foundation is active in lobbying the government and the Health and Safety Executive for improvements in the way care is provided to young people with serious neurological conditions.

Building a lasting partnership

The AWAS team is proud that its contribution is felt across each of these areas. Six years in, the company is committed to continuing it support, recognising that while it's true that the Foundation cannot cure the children it supports, it does vital work in helping to alleviate some of the difficulties that they and their families face.

Helping children in need is a core part of the AWAS Corporate Social Responsibility charter

PORTFOLIO BUSINESS REVIEW – CPC

CPC IS THE LARGEST PRIVATE BEEF PRODUCER IN AUSTRALIA

CPC acquired a majority stake in its Indonesian feedlot operator, strengthening its northern operations

YEAR END: 31 MARCH	2015	2016
Revenue	A$86m	A$163m
EBITDA	**A$22m**	**A$38m**
Capital expenditure	A$4m	A$3m
Head of cattle ('000)	384	347

PORTFOLIO BUSINESS REVIEW – CPC

INVESTMENT RATIONALE

At acquisition in 2009, CPC had nearly 280,000 head of cattle, making it the largest privately owned Australian cattle 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. Having undertaken a major strategic review, the business is focused on repositioning to being a customer-focused marketer of beef, as well as a cattle producer. CPC is driving to be the industry leader in operations and genetics, as well as financial and administrative management.

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, CEO and CFO.

DEVELOPING THROUGH CAPITAL EXPENDITURE

CPC has undertaken a significant capital investment programme to improve its cattle stations and increase their cattle carrying capacity. The business has invested in improving watering points, building yards and laneways, adding fencing, bringing more land into production and improving all-weather access.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The industry in Australia is fragmented, with approximately 67 per cent of cattle farms running fewer than 400 head of cattle and only a small percentage of farms running herds of 800 or more. These station owners lack the resources to benefit from the changes in the sector which provides an opportunity to grow the business through acquisitions. CPC has acquired six additional properties since Terra Firma's original investment, bringing additional breeding and grazing capacity to support an increase in the size of the herd. As at the end of March 2016, CPC had 347,000 head of cattle across 20 cattle stations. 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 has been 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 very well in its financial year ending March 2016. The business continued to manage drought conditions effectively and make progress to increase productivity throughout the year.

Full year revenue of A$163 million was up 90 per cent year on year. CPC sold more cattle than it branded in the previous year in order to take advantage of strong pricing increases in the Australian cattle market; 86,700 head were sold, which was 11,200 head more than the prior year.

Whilst brandings were down year on year due to seasonal conditions, EBITDA was A$38 million, 73 per cent higher than the previous year. Higher market prices, which increased the value of the herd, and the aforementioned increase in cattle sales volumes at these higher prices were the main drivers of the increase in EBITDA.

Capital expenditure was A$3 million, A$1 million below the previous year, due to reduced expenditure during the drought.

In December 2015, CPC acquired a majority stake in its Indonesian joint venture, JJAA, which owns and operates two cattle feedlots, taking its ownership from 50 per cent to 80 per cent.

CURRENT DEVELOPMENT PLAN

CPC is continuing to implement its strategic plan, which sets out a framework for developing the business from a cattle producer to a market-focused cattle and beef supplier.

As part of its strategic growth plans, the business identified a number of further investment opportunities with the potential to improve portfolio performance and CPC's position in the beef supply chain, both domestically and internationally. In December, the business agreed to acquire a further 30 per cent of JJAA. This strengthens CPC's northern operations and consolidates CPC's position as the only Australian cattle producer with a vertically integrated presence offshore. It also secures its access to premium beef prices in the Indonesian market.

The business, together with Terra Firma, continues to see opportunities to invest and is advancing its appraisal of these. In addition, the business will continue to optimise its station portfolio, divesting lower-return sites and reinvesting in better performing assets.

PORTFOLIO BUSINESS REVIEW – CPC

Troy Setter

Jim Hunter

MANAGEMENT

Troy Setter

Chief Executive Officer

Troy joined in 2014 with responsibility for driving best-in-class operations at CPC. Troy has more than 20 years' experience in agribusiness and most recently served as COO at 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.

Jim Hunter

Chief Financial Officer

Jim joined CPC in 2015 and is a KPMG-trained Chartered Accountant with 20 years' financial management experience within businesses including News Ltd, Pfizer Animal Health, Orica Explosives, RP Data and several start-ups across the manufacturing, IT, biotechnology, consulting and trading industries. Jim brings a wealth of experience in restructuring and merging/integrating to drive growth.

PORTFOLIO BUSINESS REVIEW – CPC

Providing a pathway out of poverty

Left: Cattle from the 'loan-a-cow' scheme
Right: Pak Giwo and Dr. Neny Santy, one of JJAA's veterinarians, talk in front of a pen

PORTFOLIO BUSINESS REVIEW – CPC

Working through JJAA, its Indonesian subsidiary, CPC is helping local farmers and their families to prosper by sharing vital expertise and resources.

The initiative includes an inspiring 'loan-a-cow' scheme as well as a range of educational and veterinary support.

A micro-breeding programme

The loan-a-cow scheme, which supports Indonesian government policy, involves the loan of a pregnant cow to a local farmer. The farmer then feeds the cow and has the choice to keep it and the calf when it's born.

As part of the programme, the farmer attends classes and learns about basic cattle care and nutrition; information that is useful for their wider agricultural work. A monthly visit from a JJAA vet ensures that the cow is healthy and is an opportunity to pass on useful advice.

If the farmer decides to keep the cow, it will be artificially inseminated by a government vet at a cost of $10. This helps to avoid the problem of cattle inbreeding that is caused by a lack of trucking in more remote Indonesian villages.

A life-changing experience

For Pak and Ibu Giwo the scheme has been transformative, giving them a sustainable income that they can use to educate their four children while also improving their family's general health and living conditions.

They have produced a number of calves through the programme, with their decisions on whether to keep the calves dictated by the sex of the animal and their family's circumstances at the time.

If the calf was a bull, it would be kept until matured, then sold – and the longer they're kept, the better the price they achieve.

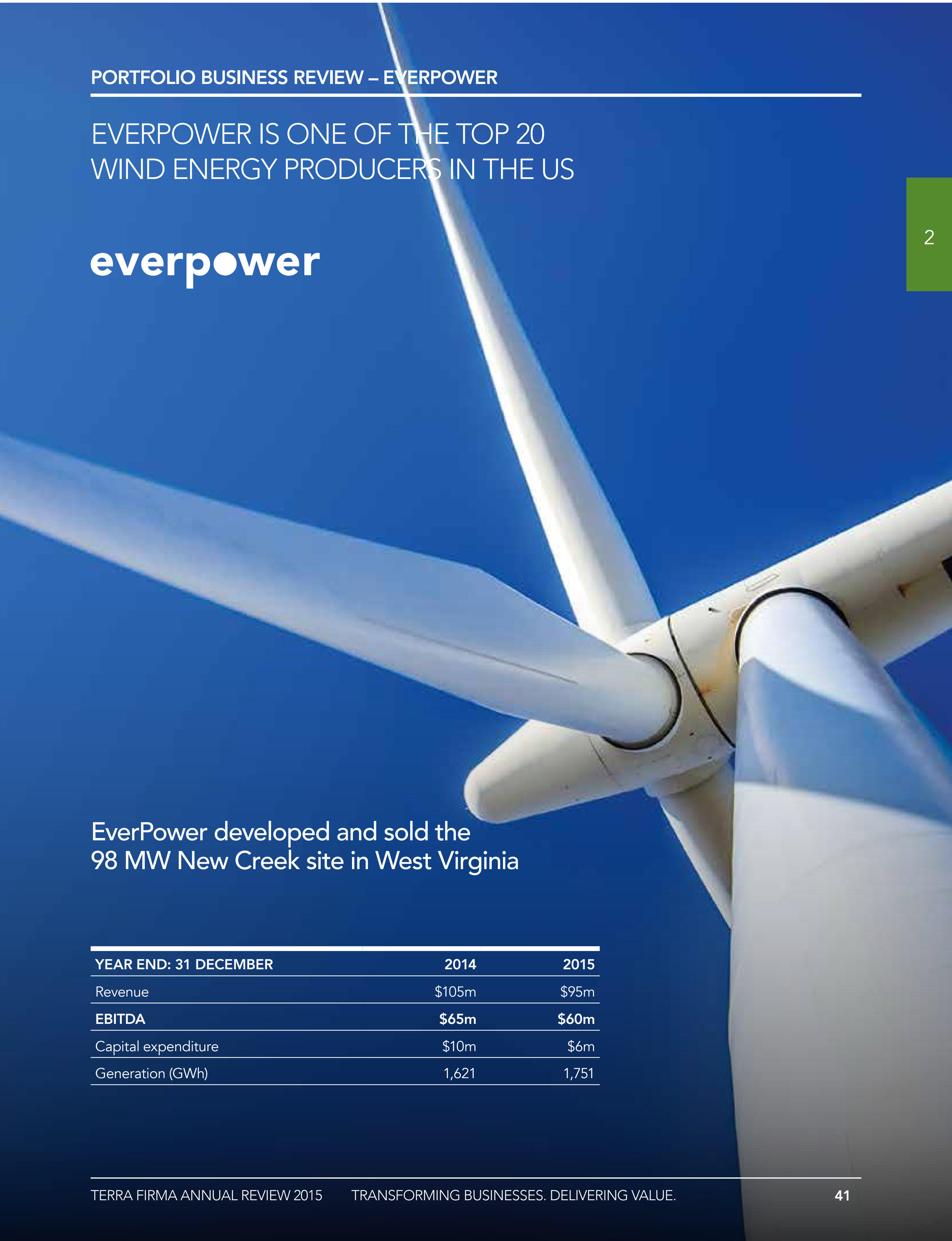
If the calf is female (a heifer), the family would keep it to reproduce again or sell it, depending on their current need for cash.

To put the impact of the scheme into perspective, the sale of a single animal can generate anything from $650 to a $1,000 – enough to make the difference between the children going to school and not.

JJAA has also helped in other ways. In 2014, working with biogas company BIRU, it assisted the family in setting up a biogas digester. Having their own energy system has enabled them to earn extra money from cooking meals, as LPG is prohibitively expensive in the region. It's also meant that, after selling a few cows, they could buy their own land and go from tenant farmers to landholders.

With the support of JJAA, CPC and their own hard work, Pak and Ibu have made a major step towards financial independence for the family. It's been a truly life-changing experience and one that will benefit them for many years to come.

CPC is helping local farmers and their families to prosper by sharing vital expertise and resources



PORTFOLIO BUSINESS REVIEW – EVERPOWER

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

everpower

EverPower developed and sold the 98 MW New Creek site in West Virginia

YEAR END: 31 DECEMBER	2014	2015
Revenue	$105m	$95m
EBITDA	**$65m**	**$60m**
Capital expenditure	$10m	$6m
Generation (GWh)	1,621	1,751

PORTFOLIO BUSINESS REVIEW – EVERPOWER

INVESTMENT RATIONALE

EverPower is a US wind energy development and generation company, 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 to generate scale.

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 and balance risk through a combination of long-term power purchase agreements ('PPAs') 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') while also managing any potential downside risks.

STRENGTHENING MANAGEMENT

EverPower's organisation reflects the current priorities and activity level of the business, with capabilities 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 of interest.

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 2015, 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 2015. 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.

PORTFOLIO BUSINESS REVIEW – EVERPOWER

Big Sky is a high-quality wind farm in Illinois which was constructed in early 2011 and generates enough electricity to power nearly 50,000 homes. This last acquisition means that EverPower now ranks within the 20 largest wind energy producers in the US.

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

Although total generation of 1,751 GWh was higher in 2015 year on year, driven by a full-year's generation at Big Sky, revenue for the year of $95 million was $10 million lower than 2014. This was due to lower wind volumes at Mustang Hills, which accounts for a high proportion of revenue due to the high price of its PPA, and lower merchant power prices and merchant REC sales.

Costs, net of deferred grant income, were higher than the prior year as a result of full-year expenses at Big Sky. The successful strategic sale of New Creek, a development project in West Virginia, resulted in an $8 million gain for the business. As a result, EBITDA for 2015 was $60 million, which was $5 million below 2014.

Capital expenditure reflects development costs incurred at New Creek.

CURRENT DEVELOPMENT PLAN

EverPower has established itself as a world-class wind operator of scale. The business reached a total generating capacity of 752 MW after the acquisition of the Big Sky wind farm in 2014.

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 PPAs, whilst other sites target liquid, wholesale power markets. This strategy offers flexibility and enables the business to capture future upside in power and REC prices while managing downside risks.

EverPower continues to develop its organic growth pipeline and identifying commercial opportunities is a key focus for some of its late-stage development projects. Moving the longer-term pipeline projects through their various assessment phases will create options for further organic growth.

In December 2015, the US Congress extended the Production Tax Credit ('PTC') by four years, the first time in a decade there has been a multi-year extension. Projects commencing construction in 2016 are eligible to receive the full PTC amount, stepping down in increments until 2019. This is a hugely positive development for the industry and one of the key focuses for 2016 will be to maximise value from EverPower's 2 GW development pipeline.

PORTFOLIO BUSINESS REVIEW – EVERPOWER


Jim Spencer


Michael Current

MANAGEMENT

Jim Spencer
Chief Executive Officer
Jim founded EverPower in 2002 and has over 25 years' experience in the power industry, managing the development and financing of energy projects. Prior to EverPower, 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 Ltd and Vice President of Prudential Capital Corporation in the Utilities & Finance Group.

Michael Current
Chief Financial Officer
Mike has over 20 years' experience in energy and finance. At EverPower, he oversees corporate and project financing including budgeting, planning and reporting. Mike joined EverPower in 2015 from NRG Energy, Inc where he most recently served as Vice President of Strategy and M&A. Prior to joining NRG, Mike held various key financial and planning positions in corporations such as Entergy Corporation, Transocean, Inc and Longhorn Partners Pipeline.

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 power 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

Recognising and supporting promise

Pittsburgh Promise students
enjoy the school facilities

PORTFOLIO BUSINESS REVIEW – EVERPOWER

In 2015, EverPower began working with locally-based youth initiative The Pittsburgh Promise.

The charity is dedicated to making higher education more accessible to the city's urban youth, giving talented students scholarships so they can afford to continue their studies and fulfil their potential. In the eight years since its launch, the Pittsburgh Promise has provided more than $74 million in scholarships to over 6,400 public school graduates.

Inspired to help

EverPower's desire to get involved was first sparked when Human Resources Manager Lisa Voytko was invited to speak on a panel at a Pittsburgh Promise careers day. As part of the event she was able to answer questions and give advice to students who were seeking role models. "I was really impressed by the maturity level and academic accomplishments of these students," she says. "They had great questions and didn't come across as kids that were lacking opportunities. You can tell they have made the most of the ones they were given."

Ambassadors for the cause

At another event, James Spencer, EverPower's President and CEO, and Carol Strickland, the company's Chief Administrative Officer, met a group of Pittsburgh Public Schools' kindergartners and were equally impressed. They decided they wanted to give EverPower employees the chance to become advocates of The Pittsburgh Promise, known as 'Keepers of the Promise'. These Keepers spread the charity's message by fundraising and recruiting a handful of additional Keepers per year. To join requires a $300 donation, so the company agreed to pledge double their employees' donations of $100.

So far the company has recruited 16 Keepers and it's committed to attracting more. The next Keepers' fundraising event, where students who've benefited from the programme speak about their experience and how it's changed their lives, will be held at James Spencer's home.

The company has also formed teams for the 2015 and 2016 Pittsburgh marathons, raising additional funds for The Pittsburgh Promise.

Seeing potential fulfilled

Since its partnership with The Pittsburgh Promise began in January 2015, the company has seen the dramatic difference the charity has made to so many at-risk youths in the city. And this is backed by local figures showing how high school graduation rates are up, drop-out rates are down and the take-up of college places is on the rise.

"I see this as something that is helping Pittsburgh's young people to envision and achieve a future filled with possibilities," comments Carol Strickland, "while also contributing to the prosperity of the region. We are thrilled to be a part of it."

So far EverPower has recruited 16 Keepers of the Promise and is committed to attracting more

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

FOUR SEASONS IS THE UK'S LARGEST INDEPENDENT ELDERLY AND SPECIALIST CARE PROVIDER

Four Seasons HEALTH CARE

brighterkind

the huntercombe group
Believing and achieving together

Four Seasons' Quality of Life Programme won a Silver Award in the Customer Experience Awards

YEAR END: 31 DECEMBER	2014	2015
Revenue	£765m	£745m
EBITDA	**£79m**	**£55m**
Capital expenditure	£38m	£35m
Group occupancy	87%	85%

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

INVESTMENT RATIONALE

Four Seasons Health Care Group ('Four Seasons') is the UK's largest independent elderly and specialist care provider. 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 a specialist dementia service. It also provides specialist 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. Demand for care is expected to grow over the long term, driven by an ageing population in the UK and associated public responsibilities towards the elderly and disabled.

The care industry is undergoing a period of transition, with financial and regulatory pressures on operators, coupled with a highly fragmented market structure, allowing Four Seasons to consolidate its position as a leading care provider.

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 separate businesses with distinct customer propositions which offer exposure to significant growth sectors within the industry:

- Four Seasons Health Care ('FSHC') is the largest of the three and provides care services, primarily to Local Authority-funded residents, with a particular focus on dementia;
- brighterkind focuses on private residential and nursing care; and
- The Huntercombe Group ('THG') offers specialised services in mental health, brain injury and neurodisability.

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 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 has undertaken a significant capital expenditure programme to refurbish the majority of homes in brighterkind, to develop the dementia proposition within FSHC and to enhance the quality of care through its industry-leading Quality of Life ('QoL') Programme, 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 lower the Group's cost of capital. Further bank debt was arranged to part fund the two acquisitions. The business has sufficient liquidity for the medium term, and is looking at longer term options for its capital structure.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

CURRENT FINANCIALS

Four Seasons faced a very challenging market in 2015, with the continued problem of underfunding of the social care sector compounded by a national shortage of nursing staff and a record number of winter deaths nationally as a result of ineffective flu vaccinations. This had an impact on the elderly population in particular.

Group revenue of £745 million was £20 million below the prior year primarily due to the rationalisation of the estate as well a decrease in occupancy levels, which were 85 per cent over the year compared with 87 per cent in 2014. On the cost side, further nursing shortages necessitated the use of agency staff, resulting in an overall increase in payroll costs compared with 2014. As a result, Group EBITDA of £55 million was £24 million below the prior year.

Capital expenditure of £35 million was £3 million lower than the previous year.

The National Living Wage ('NLW'), which was implemented by the UK government in April 2016, will increase staff costs significantly. Local Authorities can raise additional funding through a rise in council tax (the social care precept) and, so far, most Local Authorities have indicated that they will apply the 2 per cent precept. This should be enough to offset the impact of the NLW if it is allocated proportionally to elderly care, and is a helpful backdrop to ongoing fee negotiations.

CURRENT DEVELOPMENT PLAN

Four Seasons is being repositioned to better cater to customer and commissioner 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 effects of the strategies are beginning to take hold as indicated by the steep reduction in embargoes over 2015, from a peak of 32 in August 2014 to seven at the end of 2015, as well as strong quality ratings.

At FSHC, improvements in quality of care have been complemented by the roll-out of the industry-leading QoL Programme, the use of computer tablets to aid customer and staff feedback, and the transformation of the quality assurance process. In September 2015, the QoL Programme won a Silver Award in the 'Customer Experience Awards' up against companies in a wide range of business sectors.

brighterkind's rebranding programme was fully completed at the end of November 2015. The business's service proposition, which is underpinned by three signature elements (Personal and Nursing Care, Recreation and Activity, and Food and Dining), is actively being rolled out across the estate after successful pilots in 2015 and this will be fully completed in 2016. Growth is being pursued through the refurbishment of 30 homes and this is anticipated to be rolled out to a further 20 homes in the portfolio.

Following a strategy review in 2015, THG has focused on delivering market-leading and profitable high-acuity mental health care services. As a result, the business is developing its market-leading Child and Adolescent Mental Health Services and Acquired Brain Injury divisions whilst scaling back its Adult Mental Health unit.

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP


Tim Hammond


Jeremy Richardson


Valerie Michie

MANAGEMENT

Robbie Barr
Group Chairman
Robbie was appointed Chairman of Four Seasons Health Care Group in 2016. Robbie most recently served as an Operational Managing Director of Terra Firma Capital Partners, during which he was the Chairman of Odeon & UCI Cinemas, Deputy Chairman of the Supervisory Board of Deutsche Annington and a director of AWAS. Previously, Robbie held a number of senior positions at Vodafone Group plc, including the role of Group Financial Controller and the regional CFO for Vodafone's businesses outside Western Europe.

Tim Hammond
Chief Executive Officer – FSHC
Tim was appointed CEO of FSHC in 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 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 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 was appointed Group 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

Tapping into the latest technology

FSHC's Quality of Life programme has helped to increase satisfaction ratings from residents

PORTFOLIO BUSINESS REVIEW – FOUR SEASONS HEALTH CARE GROUP

FSHC is pioneering the latest technology to give its managers and care staff an up-to-the-minute picture of everything from resident satisfaction and staff feedback to care standards.

Under the company's unique QoL programme, the company has supplied iPads to its 350 care homes, creating an invaluable interface for residents, families and health professionals alike.

Real-time feedback

Linked to specially commissioned software, the tablets are programmed with a touchscreen satisfaction questionnaire that only takes a couple of minutes to complete. The information is transmitted in real-time to the Home Manager and Regional Manager so they can review and act on any care issues or suggestions for improvements.

In one example, a resident's daughter took a few minutes at the end of a visit to log a comment about a spillage on her mother's bed sheets. By the time the daughter arrived home there was a message waiting for her to say the sheets had been changed.

Leading the industry

Tim Hammond, CEO of FSHC, thinks it's high time the care industry caught up with other sectors in this regard. "In the restaurant and catering world where I worked previously, they are constantly monitoring satisfaction," he comments. "Before our QoL Programme all we had was a paper-based survey once or twice a year. Now we can get meaningful feedback on a day-to-day basis and in a way that we can act on fast."

The early results have been encouraging. The system helped to generate satisfaction ratings averaging around 96–97 per cent over a three-month period in 2015, with 92 per cent of residents and relatives saying they would recommend FSHC's homes, and less than one per cent saying they would not recommend them.

Completing the picture, FSHC is also listening to staff comments via the iPads.

Auditing care standards

Another key component of the QoL programme is the Thematic Resident Care Audit ('TRaCA') – a process which managers, nurses and care staff can complete electronically and examines up to 185 care standards for each resident. It's all part of the company's 'find and fix' approach that extends from the residents' bedrooms to the boardroom.

"The care regulators want to see care that is designed around the individual," says Dr Claire Royston, Four Seasons Group Medical Director, "and that residents are involved in decisions that affect them. They want to see recognition of the importance of the line of sight from frontline staff and services to the senior leadership and that the provider is checking on how well they are doing. With the QoL Programme we are doing these things every day."

Now we can get meaningful feedback on a day-to-day basis and in a way that we can act on fast

Tim Hammond
CEO, FSHC

PORTFOLIO BUSINESS REVIEW – INFINIS

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

infinis

Infinis generated 2,508 GWh during the year, enough to power the city of Manchester

YEAR END: 31 MARCH	2015	2016
Revenue	£236m	£223m
EBITDA	**£143m**	**£132m**
Generation (GWh)	2,568	2,508
– Landfill Gas	1,931	1,810
– Onshore Wind	637	698

These results are unaudited

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 a generating capacity of 575 MW across 137 generating sites, comprising landfill gas and a portfolio of onshore wind farms, as at 31 March 2016.

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 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 when Infinis was spun out as an independent company. The business has since appointed 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 301 MW at the end of March 2016. It has also developed a significant onshore wind business, diversifying away from the original landfill gas focus. At the end of March 2016, its total onshore wind capacity was 274 MW and it continues to develop projects from an organic onshore wind development pipeline with up to 135 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.

PORTFOLIO BUSINESS REVIEW – INFINIS

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 143 MW of installed capacity made up primarily of onshore wind and landfill gas with a small hydro asset base, and increased its organic wind development pipeline. As Infinis grew, the small hydro operations became 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 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 late 2013, ahead of the IPO, Infinis refinanced its entire operational wind portfolio with a secured term loan facility, 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.

TERRA FIRMA OWNERSHIP

In November 2013, with Infinis well-established as one of the UK's leading renewable power generators, Terra Firma sold a 30 per cent stake through an IPO, with gradual sell-downs of its remaining stake envisaged over time. However, by December 2014, it had become clear to Terra Firma that a managed sell-down of its investment in Infinis through secondary offerings was unlikely to be achieved at an acceptable price. Therefore Terra Firma announced in December 2014 that it was exploring its options in relation to its remaining shareholding in Infinis.

As a result, following constructive discussions with Infinis's board and management, in October 2015 Terra Firma (through its holding vehicle, Monterey Capital II Sàrl) made a recommended cash offer for the Infinis shares that it did not own, at a price of 185p per share, to take Infinis private. The transaction completed in December 2015.

CURRENT FINANCIALS

Infinis's generation for its financial year ended 31 March 2016 was 2,508 GWh, giving revenue of £223 million, £13 million below the previous year. Lower revenue was primarily driven by the cessation of Levy Exemption Certificates, lower than anticipated landfill gas production volumes and lower wind prices. The impact on EBITDA was eased by strict cost control which reduced direct costs compared with last year, resulting in full-year EBITDA of £132 million, £11 million below the previous year.

Capital expenditure was significantly higher than the previous year at £104 million, primarily due to increased expenditure on its wind construction projects.

CURRENT DEVELOPMENT PLAN

The wind portfolio includes four development projects under construction, comprising A'Chruach (43 MW), North Steads (18 MW), Sisters (8 MW) and Galawhistle (66 MW). Infinis's focus is now to complete these four onshore wind projects, construction of which is advanced. A'Chruach delivered first power to the grid in January 2016 and they are all expected to be commissioned by February 2017. Once the current construction projects are in operation, Infinis's total onshore wind capacity will be 409 MW, which will represent the fourth largest onshore wind portfolio in the UK.

PORTFOLIO BUSINESS REVIEW – INFINIS

Eric Machiels

Tom Hinton

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.

Tom Hinton

Chief Financial Officer

Tom joined Infinis as CFO in October 2015. He was previously with Centrica Energy, where he was CFO of Centrica Canada from 2013. For the ten years prior to that Tom held other finance roles within Centrica, including Finance Director of UK Power Generation and Financial Controller of British Gas.

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

Supporting a cause that's close to home

Left: The Infinis team presenting a cheque for the money raised at the MNDA offices

Right: Flying the MNDA logo after completing the gruelling Wolf Run

PORTFOLIO BUSINESS REVIEW – INFINIS

Infinis has a longstanding and proud track record of raising money for charity, with a particular focus on those based in communities near to its sites.

In 2015, the company supported a cause closer to home than most when long-serving employee Paul Crowdey, a landfill gas technician, was diagnosed as suffering from the incurable degenerative condition Motor Neurone Disease.

Paul decided to address the situation head-on, helping to increase awareness of the disease among colleagues and the general public alike through his blog 'This will be my legacy' and by raising money for the Motor Neurone Disease Association ('MNDA'). And in true Infinis going-the-extra-mile fashion, his colleagues swung behind the cause in a number of different ways.

Combining safety with fundraising

The main fundraising drive was through the company's 'Charity Challenge' campaign. This initiative combines good safety practice with charitable giving by making a £25 donation from the company for every Safety Observation or 'near miss' reported – since 2008, it's provided more than £80,000 to over 100 charities.

In 2015–2016, MDNA was picked to receive a half of the year's Charity Challenge fund – a total of more than £11,000 – when it was named as the company's Charity of the Year against tough competition from other employee-nominated causes. During the autumn, Paul was proud to visit MDNA's head office and present a cheque for the sum they had raised.

Suffering for the cause

Around the same time, a team of Paul's close colleagues participated in the gruelling 10km 'Wolf Run', running, sliding and even swimming through muddy pools in order to raise a further £2,500. Plus a team of 15 colleagues entered the spring 2016 'The Suffering' event in Northamptonshire to generate further money for Paul's charity campaign.

A welcome boost

Paul is delighted by the groundswell of goodwill that has flowed from the various fundraising efforts, saying, "I am so grateful to Infinis for helping to raise awareness of the disease I have, as I really think it is so important for people to be educated where Motor Neurone Disease is concerned. More people in the world need to know about this disease and Infinis's support is invaluable. I can't believe how many people in Infinis are now involved. They really help make me feel good and keep my spirits up."

MDNA was named as Charity of the Year by Infinis employees and received half of the year's Charity Challenge fund

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

ODEON & UCI IS ONE OF EUROPE'S LEADING CINEMA OPERATORS AND NO. 1 IN THE UK AND IRELAND

ODEON & UCI CINEMAS GROUP

· ODEON · UCI CINEMAS · CINESA · UCI KINOWELT ·

Odeon & UCI regained its position as the No. 1 cinema brand by revenue market share in the UK and Ireland

YEAR END: 31 DECEMBER	2014[1]	2015
Revenue	£658m	£747m
EBITDA	**£53m**	**£95m**
Capital expenditure	£26m	£34m
Attendance (m)	78	89

[1] 2014 numbers have been restated due to changes in the UK GAAP accounting framework

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 businesses 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, with a focus on more healthy options. 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 & 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.

The business has invested in expanding and enhancing its portfolio with the addition of 40 new site openings across Europe since 2004 and has a pipeline of new sites over the 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 2015, Odeon & UCI opened or acquired six new sites. This includes three new sites in the UK and Ireland (Milton Keynes, Edinburgh and Charlestown), two sites in Italy

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

and one in Spain. The business has also completed a small number of non-core site disposals and lease terminations in the UK bringing the total estate to 243 sites with 2,238 screens across seven territories.

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's customer- and employee-focused strategic programme drove revenue growth in the business in 2015. Initiatives such as the removal of the online booking fee and improved employee engagement helped drive increased attendance and revenue, and meant the business was well positioned to take advantage of the strong 2015 film slate. Market attendance in 2015 increased year on year across all of Odeon & UCI's major markets, thanks in part to the two blockbuster franchises released towards the end of the year: Spectre (James Bond) and The Force Awakens (Star Wars), the highest grossing film of all time in the UK.

Odeon & UCI sold 89 million tickets in 2015 and achieved total revenue of £747 million, with the new strategy delivering full-year revenue market share growth in all the major territories except for Germany, which was flat year on year. Its strong performance in 2015 led to Odeon regaining the number one revenue market share position in the UK and Ireland for the first time since 2012.

Direct costs were higher than the prior year, reflecting higher film hire costs on the stronger slate of films and higher costs of non-core retail products due to higher volumes. Indirect costs also increased as the business has invested in marketing, systems and people capability to deliver its strategic programmes.

Overall, Odeon & UCI had a record EBITDA of £95 million which was £42 million above the prior year. The business has taken significant steps to improve operational performance and invest in growth and, going into 2016, the benefits of these strategic initiatives should offset a strong, but slightly weaker film slate than 2015.

Odeon & UCI invested £34 million in 2015, continuing its programme of site refurbishments, opening new sites, maintenance and retail initiatives.

CURRENT DEVELOPMENT PLAN

Following the appointment in 2014 of a new management team, led by Paul Donovan, Odeon & UCI set a clear strategy to deliver superior operating performance through four focus areas: commercial excellence to drive revenue; transforming operations to improve the guest experience; applying industry best practice to maximise retail sales; and creating a high performance culture with the most motivated and customer-centric employees in the industry.

A multi-year programme of strategic initiatives was developed to deliver this strategy, and the implementation of those initiatives commenced in the second half of 2014.

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Paul Donovan

Ian Shepherd

MANAGEMENT

Paul Donovan

Chief Executive Officer

Paul joined Odeon & UCI 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 Group, where he was a member of the Group Executive Committee. Most recently, Paul was CEO of the Eircom Group, Ireland's leading telecommunications operator, where he led a process of successful transformation.

Mark Way

Chief Financial Officer

Mark joined Odeon & UCI in 2014. He was previously with Hilton Worldwide, where he held a number of senior roles, including 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 & UCI 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

A healthier outlook for movie refreshments

The healthier and tastier popcorn in Odeon & UCI's Cinesa cinemas have been a big hit

PORTFOLIO BUSINESS REVIEW – ODEON & UCI

Food and drink has been at the heart of the cinema experience since the dawn of the silver screen in the 1930s.

Today, Odeon & UCI is continuing to deliver great refreshments at its cinemas, but is committed to pioneering healthier options that fit with its corporate responsibility goals.

Odeon & UCI's aim is to help customers make informed choices by broadening the range and increasing labelling and product information, with one of the key objectives being to reduce levels of sugar consumption.

Cutting down on sugar

Momentum really started building in 2012 when Odeon became the first UK cinema operator to stop selling one-litre drinks, reducing the largest size offered to 0.7 litres. At the same time, it was the first major cinema chain to join the Department of Health's 'Public Health Responsibility Deal', committing with its soft drinks suppliers to a number of significant health pledges.

Increasing the percentage of low sugar or sugar-free sales has also been driven by the success of the group's Costa coffee franchises and other soft drinks, juices and bottled waters. In 2015, Odeon reduced the price of its bottled water in the UK by 33 per cent, leading to a significant sales boost and, in spring 2016, Odeon & UCI launched a unique group-wide partnership with the Coca Cola Company to further develop the range of lower sugar alternatives in cinemas across Europe.

All these efforts have combined to create a significant turnaround. Although drink sales have been increasing rapidly at Odeon & UCI over the last five years, the volume of sugared drinks has been falling.

Europe-wide initiatives

The retail team at the business's Spanish operation, Cinesa, has launched a partnership with the Alicia Food Foundation to create a healthier and tastier popcorn range. Following 12 months of intensive development work, focus groups and taste trials, the first results were introduced to a Cinesa cinema in Barcelona in March 2016 under the new 'Cornie's' branding. Feedback has been very positive and trials will extend to another four cinemas in summer 2016.

In Italy, Odeon & UCI teams are trialling innovative ways to increase the popularity of natural yoghurt – new 'udder' dispensers, for example, have raised smiles and sales in equal measure – while both Germany and Italy have seen the launch of new gluten-free ranges, including nachos.

Feeling the benefits

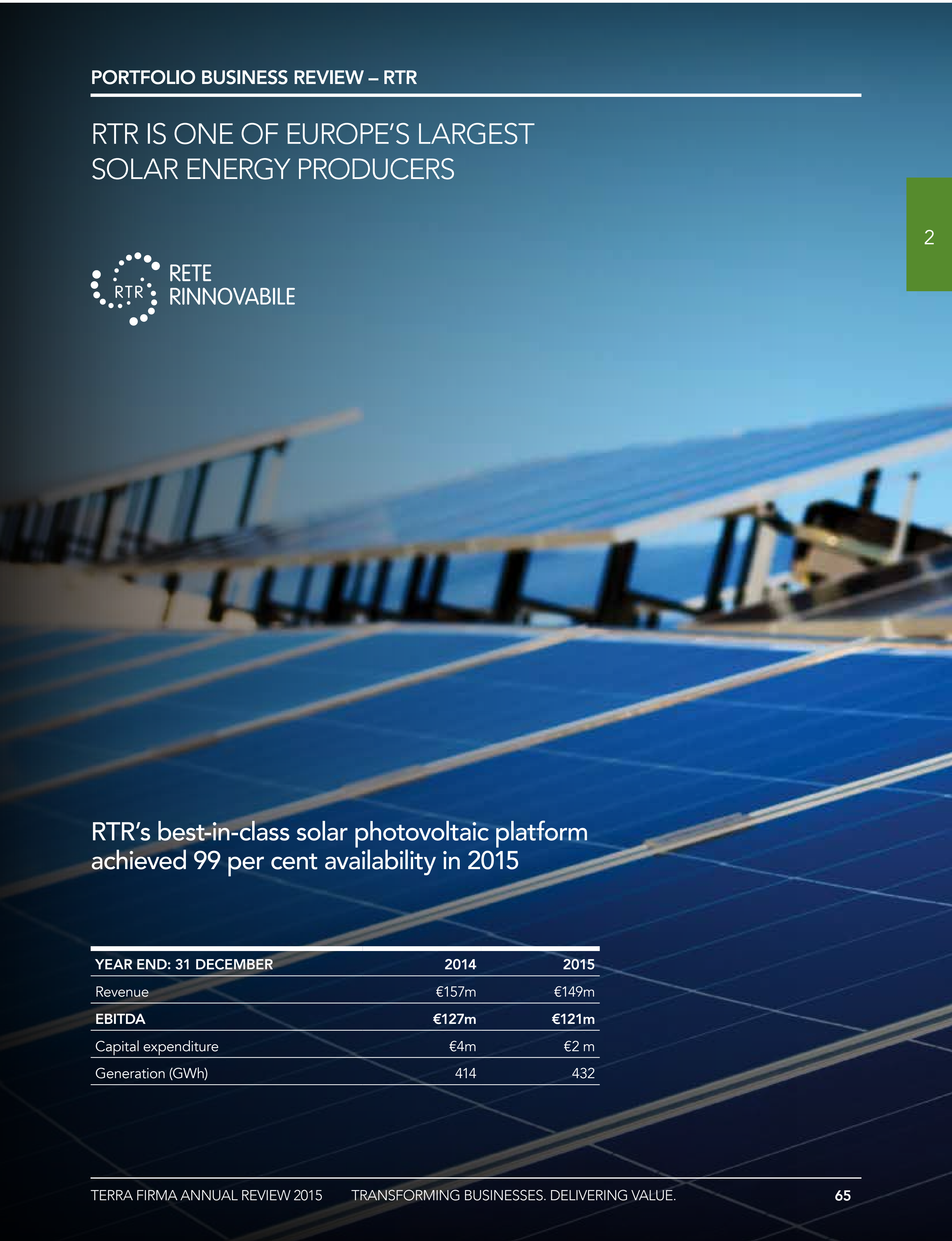
Odeon & UCI's responsible approach to cinema snacks and drinks is helping the brand to stand out from the crowd and set the example for other operators to follow. By providing tasty alternatives to the traditional sugary treats, the company is making it easy for millions of cinemagoers to make healthier choices every time they go to the movies.

Odeon & UCI is committed to pioneering healthier options that fit with its corporate responsibility goals

PORTFOLIO BUSINESS REVIEW – RTR

RTR IS ONE OF EUROPE'S LARGEST SOLAR ENERGY PRODUCERS

RTR
RETE RINNOVABILE



RTR's best-in-class solar photovoltaic platform achieved 99 per cent availability in 2015

YEAR END: 31 DECEMBER	2014	2015
Revenue	€157m	€149m
EBITDA	**€127m**	**€121m**
Capital expenditure	€4m	€2 m
Generation (GWh)	414	432

PORTFOLIO BUSINESS REVIEW – RTR

INVESTMENT RATIONALE

Rete Rinnovabile ('RTR') is Italy's largest solar photovoltaic ('PV') power generating company, with a 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 2015, 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 power generation capacity in Italy is supported by long-term incentives, and renewable energy sources also 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 experience in the sector, through its investments in Infinis in the UK and EverPower in the US, has enabled the establishment of best-in-class processes and systems to optimise operations.

STRENGTHENING MANAGEMENT

RTR was an asset-only acquisition. Terra Firma put in place staff, systems and corporate headquarters, 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 318 MWp through five add-on acquisitions. Leveraging 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 asset management and monitoring teams and a long-term contract with Terna, the Italian national grid operator, for the maintenance of the existing PV installations, including guarantees on equipment and production capacity.

PORTFOLIO BUSINESS REVIEW – RTR

RTR's footprint 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 conclude appropriate agreements with financing banks as well as suppliers of services and goods to the business.

CURRENT FINANCIALS

RTR performed well in 2015, despite facing a challenging year due to changes in taxes and legislation enacted by the Italian government, which announced cuts in feed-in premium incentives.

RTR produced 432 GWh of power in 2015, 18 GWh more than in 2014, with plants continuing to perform at top-class levels of availability and operational efficiency. Revenue of €149 million was €8 million lower than last year, due to the impact of retroactive tariff cuts, but benefited from good production levels and from its forward energy sales strategy. EBITDA for 2015 was €121 million, which was €6 million lower than the prior year.

CURRENT DEVELOPMENT PLAN

RTR runs 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. It will continue to seek operational improvements in response to the reductions in feed-in premium incentives which came into effect in 2015.

In order to further mitigate the impact of the tax, incentive and power price changes, RTR initiated a substantial cost reduction plan in 2014, which continued in 2015. This included renegotiations with external suppliers and required some headcount reductions. Operations and maintenance work previously insourced was successfully transitioned to Terna, at a reduced cost, together with a small number of RTR staff.

While an increasingly strict regulatory environment in Italy has presented some challenges for RTR, it has also made it more difficult for smaller competitors to operate, presenting a significant opportunity for industry consolidation. RTR is in a good position to act as a consolidator as it has significant cash on its balance sheet to invest in acquisitions.

PORTFOLIO BUSINESS REVIEW – RTR


Paolo Lugiato


Stefano Lagna


Matteo Riccieri

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 Finanziaria and Consultant at McKinsey & Co., serving clients in the telecommunications, consumer goods, industrial and financial sectors.

Stefano Lagna

Chief Financial Officer

Stefano joined as CFO in 2016. Before RTR, he served as CFO at Slovenské elektrárne, the incumbent nuclear and conventional power generator in the Slovak Republic which is part of the Enel Group. He started his career at Procter & Gamble, then joined Enel, spending more than 15 years in roles including trading, distribution, energy sales and telecommunications.

Matteo Riccieri

Chief Operating Officer

Matteo was appointed COO in 2016.
He joined RTR in 2011 as Asset Manager. Prior to this, Matteo was in charge of project development at BP Solar, a branch of BP plc, which involved the authorisation and construction of several utility-scale PV projects, which were subsequently sold to institutional investors. Matteo's previous role at BP Solar included supervising the production and sale of energy from wind, hydro and biomass plants.

PORTFOLIO BUSINESS REVIEW – RTR

A hub for inner city integration

Left: Equipment provided by Ubalda Bettini Girella allows for some after-school singing

Right: Ubalda Bettini Girelli provides a safe and supervised environment where cultural integration is a focus

PORTFOLIO BUSINESS REVIEW – RTR

One of the many good causes RTR has supported this year is Intercity Ramblers, an educational programme supporting vulnerable and under-privileged children and teens in Rovereto, the second largest city in the Trentino Province.

In partnership with the non-profit organisation Ubalda Bettini Girella, RTR has helped to set up a meeting place in a social-housing neighbourhood, donating furniture, computers, a video camera, stationery and toys. This gave the charity a base for its range of after-school education, social engagement, sports and cultural activities. For the youngsters, many of them young parents, it's a safe, supervised space free from bullies, drugs and anti-social behaviour where they can relax and socialise.

Bridging the gap

Rachel Lorandi, head of Ubalda Bettini Girella, explains the local challenges. "In this neighbourhood there are lots of families newly arrived from North Africa, so we're seeing a lot of kids who have left one culture, but aren't yet integrated with their new community. We want to bridge that gap, instill a sense of responsibility and motivate them to pursue higher education. Reciprocal understanding is key."

With the centre up and running, young people can now get involved in things like the homework programme, Italian language and computer classes, art activities and careers workshops. Mums can prepare healthy lunches for their children and there are trained staff on hand to look after the youngest children. The centre also gives free access to a number of local sports facilities and museums. It's a measure of its success that it now serves more than 250 children and young people.

Support where it counts

Paolo Lugiato, CEO of RTR, is passionate about the initiative. "We love this project," he says. "We think cultural integration is a fundamental social function. We recently moved part of RTR to Rovereto and, since we always support the territories where we operate, choosing Intercity Ramblers was an obvious choice."

Making progress

Rachel Larandi is delighted with progress so far, commenting, "We can now teach kids how to use a computer, how to paint and even how to make educational videos on issues like law and cultural diversity. We really value the support we've received from RTR; it's made a huge difference."

RTR has helped to set up a meeting place in a social-housing neighbourhood, donating furniture, computers, a video camera, stationery and toys

PORTFOLIO BUSINESS REVIEW – TANK & RAST

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

TANK & RAST

In 2015, Terra Firma completed the sale of Tank & Rast to a consortium of investors

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 the German autobahn, Europe's busiest motorway network. It holds approximately 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

Following its acquisition in 2004, Tank & Rast 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 improved its food offering, including a better retail proposition. It introduced the premium Sanifair toilet facilities across its network with great success and which have been rolled out to third parties in Germany and Europe. Tank & Rast also created a new motorway service station brand '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 was 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 introduced an electronic point of sale system to improve tenants' working capital management and logistics processes which it rolled out across the network. As of June 2015, the system had been installed in 343 sites.

PORTFOLIO BUSINESS REVIEW – TANK & RAST

BUILDING THROUGH MERGERS AND ACQUISITIONS

Tank & Rast continued to grow by acquiring attractive sites and/or management contracts on and off the autobahn as they became available. In particular, the business focused on looking at opportunities to acquire off-autobahn sites ('autohöfe') and, at the end of June 2015, the business managed six sites.

LOWERING THE COST OF CAPITAL

As a result of the business's strong performance in a challenging economic environment, Tank & Rast successfully 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 €1.4 billion term loan debt thereby further lowering the cost of debt and cash interest payments.

SALE

In September 2015, Terra Firma sold Tank & Rast to a consortium of investors, comprising Allianz Capital Partners, OMERS-backed Borealis Infrastructure Management, ADIA-owned Infinity Investments, and MEAG, the asset manager for German insurance firm Munich Re.

PORTFOLIO BUSINESS REVIEW – TANK & RAST

Promoting safer summer travel

Left: The cover of Tank & Rast's illustrated booklet, helping children learn about road safety

Right: A family enjoys a break from travelling at a Tank & Rast service station

PORTFOLIO BUSINESS REVIEW – TANK & RAST

As one of the biggest names on the German motorway system, Tank & Rast has always taken road safety extremely seriously.

To spread the word in 2015, the company launched a campaign that would raise awareness of travelling safely and coincide with the start of the busy summer holiday season.

A targeted campaign
The 'Safe Holiday Travelling' initiative was designed to help road-users prepare properly before setting off and to stay safe on long trips. It was focused around two brochures, with the first (Travelling by car – staying safe and relaxed on your family holiday journey) aimed at parents and car drivers. The second brochure (Travelling by car – Tim & Rieke's travel break) was an illustrated booklet telling the story of two siblings facing typical traffic challenges during a road trip with their parents. This was a fun, accessible way for children to learn about road safety, and the brochure was distributed from the top 50 Serways KiDS service areas in the Tank & Rast network.

The digital elements of the campaign included a traffic safety quiz that was added to the Serways app, and the brochures were available on the Tank & Rast and Serways websites.

Engaging the staff
Making sure employees were on board was key to the success of the campaign, so every member of the team received copies of the brochures and could also access information on the intranet. This ensured they were ready to advise customers on safe travel and answer their questions.

PR drive
The campaign also received good coverage in the German press thanks to a PR drive that highlighted the key road-trip safety issues. This was backed by data from a survey carried out by the renowned Forsa research institute and commissioned by Tank & Rast. The main finding of the survey was that the German travellers consider it a top priority to check their car before setting off on a long trip. They also understand the importance of regular rest stops to keep drivers more alert and able to cope with changing traffic conditions.

As well as providing useful information for travellers, the marketing material positioned Tank & Rast service areas as family-friendly, welcoming environments that are the perfect place to take a break during a holiday journey. The campaign as a whole sent out a clear message that Tank & Rast is committed to playing a leading role in promoting road safety.

The 'Safe Holiday Travelling' initiative was designed to help road-users prepare properly before setting off and to stay safe on long trips

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

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

Wyevale garden centres

Wyevale acquired four new sites and added 192,000 square feet of retail space in 2015

YEAR END: 31 DECEMBER	2014	2015
Revenue	£290m	£311m
EBITDA	**£56m**	**£55m**
Capital expenditure	£35m	£56m
Number of sites	148	151

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. The business is the largest garden centre operator in the UK, with an estate that is difficult to replicate under UK planning restrictions.

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 in the UK. Terra Firma continues to develop the business's 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; on-site food and beverage outlets; and lease income from concession space which is let 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 coordinated approach across the estate, with initial focus on building a scalable and sustainable platform to support its ambitious growth plans.

Terra Firma identified improvement opportunities in areas such as procurement, wastage, operational efficiencies and overheads.

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. This includes a restaurant refurbishment programme, the 'Botanic Kitchen' concept which offers food that is 'in season', and WGC's own-brand, award-winning 'Coffee Ground' concept as well as Costa Coffee franchises.

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 rebranded from The Garden Centre Group to Wyevale Garden Centres to leverage the historic Wyevale name and provides the group with a national umbrella brand enabling more efficient marketing communication.

Following the successful turnaround, with EBITDA approximately doubling since acquisition, WGC is now ready for a second phase of growth focused around its retailing expertise, supply chain transformation and multi-channel offering.

STRENGTHENING MANAGEMENT

Since acquisition, the management team has been continually and significantly strengthened according to business needs. A new Chairman, CEO and CFO were appointed in 2012 to lead the first phase of transformation. Since then, there have been new appointments of Retail Operations, Commercial, HR, Restaurant, Marketing, Property and Multi-Channel Directors to bring more focus to each part of the business. In 2016, as the business enters its second stage of growth around retailing, WGC has recently been bolstered for a second time, welcoming a new CEO and CFO, both of whom bring a wealth of retail experience, as well as new Trading and Supply Chain Directors.

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

DEVELOPING THROUGH CAPITAL EXPENDITURE

In 2014 and 2015, the business focused on building-out retail, leisure and concession space, and expanding its food and beverage offering. Since the beginning of its store investment programme, the business has refurbished a total of 47 centres, adding around 100 new concessions and creating five new Botanic Kitchens, nine new Coffee Grounds and 13 new Costa Coffee outlets.

In March 2015, a brand new Percy Thrower's garden centre was opened, close to the site that was acquired in 2013 as part of The Garden & Leisure Group. The 100,000 square feet of retail space includes a Botanic Kitchen, a Coffee Ground, and a dedicated concession area, along with an interactive events space called The Greenhouse, where customers can obtain advice from horticultural experts.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The plant and garden retail sector in the UK is very fragmented. WGC established an acquisition team and is well-placed to make acquisitions. Four new sites were acquired in 2015, making 25 since acquisition and bringing the total portfolio to 151 sites as at the end of December 2015, more than four times the number of sites of the next largest garden centre group. WGC continues to explore accretive acquisition opportunities.

LOWERING THE COST OF CAPITAL

In December 2015, WGC successfully completed a sale-and-leaseback of eight garden centres. The proceeds of this transaction were used to pay down debt and invest in acquisitions.

CURRENT FINANCIALS

2015 was a challenging year for the business, reflecting particularly difficult trading conditions in the second half of the year and ongoing operational transformation (in particular around supply chain and logistics). Full-year revenue of £311 million was £21 million higher than last year but lower than expected, primarily as a result of unsettled weather in March, May and September, which led to a later and shorter main gardening season. Full year EBITDA was £55 million, £1 million lower than last year. Gross profit margins were slightly lower than the prior year, primarily driven by higher discounting and clearance activity across the summer following higher levels of stock and adverse margin impact due to sales mix.

Capital expenditure was £56 million in 2015, £21 million higher than the previous year as the business focused on site refurbishments and improvements to its retail operations.

CURRENT DEVELOPMENT PLAN

Under the leadership of the new management team, the business will have a greater emphasis on improvements to its retail operations and supply chain.

As the business enters its second phase of growth, an extensive transformation around the supply chain is underway, transitioning from a decentralised supply-chain model towards a fully-centralised and integrated supply chain. Together with investment in stock management and replenishment systems, this will lay the foundations to improve product availability, reduce wastage and develop a solid platform to enable future growth and improved profitability. The launch of WGC's new website and multi-channel platform is due to take place in 2016 and is expected to drive sales from existing customers and by attracting new customers from other demographics.

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

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

Stephen Murphy

Roger Mclaughlan

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.

Roger Mclaughlan

Chief Executive Officer

Roger was appointed CEO in 2016. Roger is a seasoned retailer and has amassed over 25 years' experience in the industry. Prior to joining WGC, Roger was the UK Managing Director of Toys "R" Us between 2012 and 2015 where he led the retailer through a major turnaround.

Previously, Roger has held various roles across a wide array of national corporations, including serving as a Retail Director at Asda Living where he grew the non-food standalone business between 2008 and 2011 and as Managing Director at Holmes Place between 2006 and 2008. He has also held executive roles at Woolworths South Africa, Marks & Spencer and Stylo Group.

Anthony Jones

Chief Financial Officer

Anthony was appointed CFO in 2016. He was previously Executive Vice President and CFO at Waterford-Wedgwood-Royal Doulton. Prior to that, Anthony was Group CFO at Thorn.

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

The healing power of our gardens

Left: The WGC team taking part in a cycling fundraiser for Marie Curie

Right: WGC volunteers transformed an old portable cabin for charity Lindengate

PORTFOLIO BUSINESS REVIEW – WYEVALE GARDEN CENTRES

In recent years, WGC has worked with a number of charities that recognise the healing power of our green spaces.

Through the Gardens for Good initiative it has touched the lives of thousands of people across the UK.

Donating 30,000 nursing hours
In 2014, staff chose Marie Curie to be the company's first national charity partner. To someone living with a terminal illness, being able to stay at home and look out on their garden can be a great comfort. Gardens for Good has made that possible for many more people, donating over £600,000 through colleague fundraising and company donations. That adds up to more than 30,000 hours of Marie Curie nurses' visits.

WGC has also been supporting the NSPCC, helping children who have been mistreated to participate in therapy sessions – which whenever possible take place in gardens – to aid their recovery. As part of this initiative, 700 tomato-growing kits were donated to 36 NSPCC centres to be used in the children's therapy.

Gardening as therapy
"Growing tomato plants from seed can give these children something that they rarely experience – the chance to achieve and enjoy success," says Claire, a lead therapist. "These are children who every day may encounter challenges in school or at home that they can't manage, whereas learning to grow a plant from seed enables them to master small, achievable tasks."

WGC's staff have also been using their volunteer days to support the NSPCC, with a team from their Swansea Centre transforming an overgrown, unused courtyard at their local NSPCC Therapy centre into a colourful, fun area that is now regularly used by the children in their therapy.

Promoting wellbeing and boosting confidence
Elsewhere, WGC's Estates team chose to volunteer at Lindengate, a charity that is based beside its World's End Garden Centre in Aylesbury and uses social and therapeutic horticulture to help people recovering from mental health issues. This form of therapy has been proven to do everything from promoting wellbeing and boosting confidence through to helping people re-integrate socially. With the help of a group of WGC contractors, the team made over a large area of the allotment and renovated an old portacabin so that it could be used more effectively by the charity's 'Gardeners'.

Charlie Powell, Co-Founder of Lindengate, says, "The newly refurbished Gardener welfare building, now hardly recognisable as a portable cabin is bright, warm and inviting, and plays an important role in the positive delivery of Lindengate's services."

One of the Gardeners who uses the building and allotment is equally enthusiastic about the positive effects, declaring, "Now I can go back out there into the world, feeling in a much calmer and better place."

To someone living with a terminal illness, being able to stay at home and look out on their garden can be a great comfort

03 BUSINESS AND FINANCIAL REVIEW

Llyn Crafnant, Aberconwy District

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 more than 40 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.

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, sovereign wealth 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.

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 over 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.

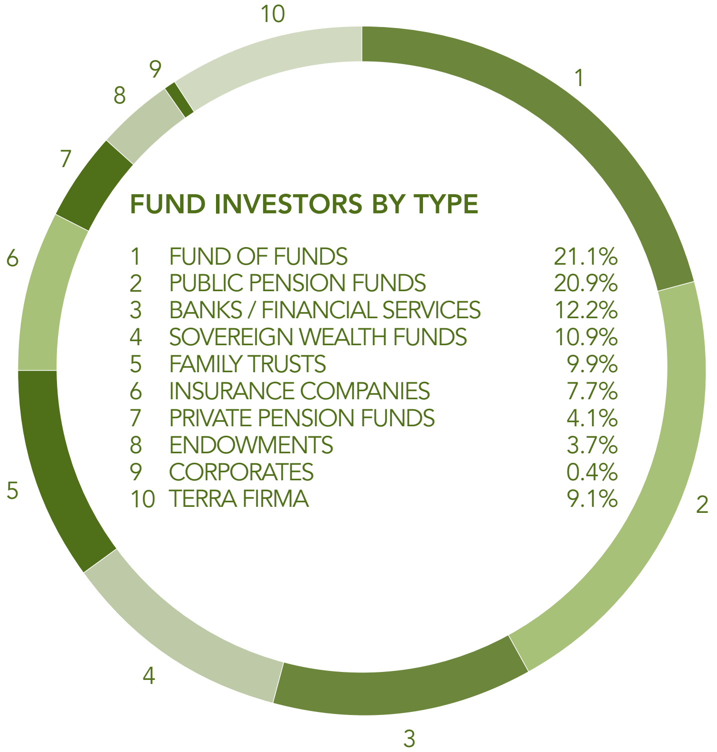
Within our portfolio, seven of the nine businesses are European-based, with 74 per cent of aggregate revenues being generated in Europe[1].

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 acquisitions of CPC and EverPower.

[1] For the year to December 2015 for most businesses, with AWAS to November 2015, and Infinis, CPC and Annington to March 2016

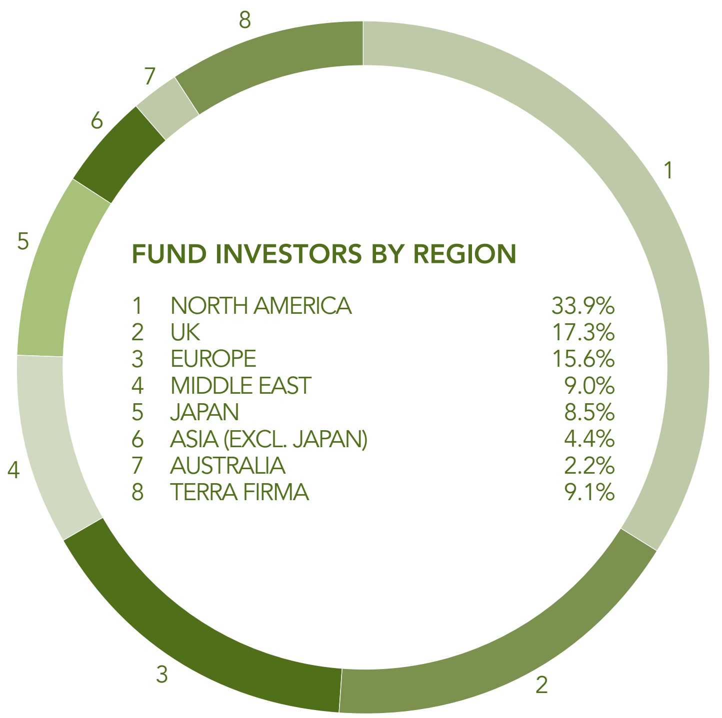
BUSINESS AND FINANCIAL REVIEW

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



FUND INVESTORS BY TYPE

1	FUND OF FUNDS	21.1%
2	PUBLIC PENSION FUNDS	20.9%
3	BANKS / FINANCIAL SERVICES	12.2%
4	SOVEREIGN WEALTH FUNDS	10.9%
5	FAMILY TRUSTS	9.9%
6	INSURANCE COMPANIES	7.7%
7	PRIVATE PENSION FUNDS	4.1%
8	ENDOWMENTS	3.7%
9	CORPORATES	0.4%
10	TERRA FIRMA	9.1%



FUND INVESTORS BY REGION

1	NORTH AMERICA	33.9%
2	UK	17.3%
3	EUROPE	15.6%
4	MIDDLE EAST	9.0%
5	JAPAN	8.5%
6	ASIA (EXCL. JAPAN)	4.4%
7	AUSTRALIA	2.2%
8	TERRA FIRMA	9.1%

BUSINESS AND FINANCIAL REVIEW

STRATEGY

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

Julie Williamson

CONSISTENT INVESTMENT CHARACTERISTICS

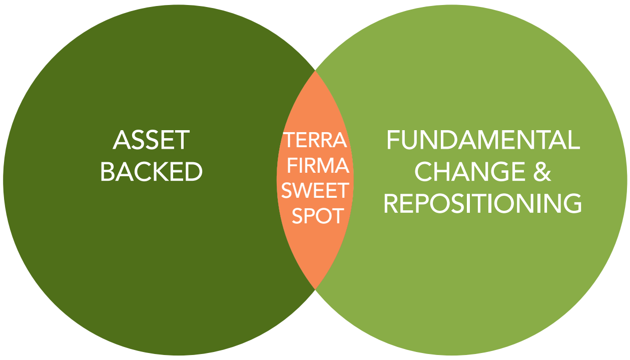
All our investments share the same two characteristics: they are asset backed and require fundamental change or repositioning.

ASSET BACKED

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. 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.

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 over 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 forwards.

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.

STRATEGY

TERRA FIRMA'S DIFFERENCE

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

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

DIVERSE, BROAD-BASED SKILLS

We hire people who have a passion for businesses and making them better.

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

Today, that team includes more than 40 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 25 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.

Edmund Motley, Jonas Kristensen

Multi-disciplinary teams

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

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

Our operational skills enable us to identify new strategies and initiatives during the evaluation of a potential new investment and then lead improvement programmes for strategic and operational change, providing project secondees and, where necessary, playing the role of interim executive management.

These skills reside principally in Terra Firma's operational professionals. Collectively, they have deep leadership, managerial and financial experience in running businesses and divisions of large companies.

BUSINESS AND FINANCIAL REVIEW

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

ORIGINATING NEW PERSPECTIVES AND APPROACHES

We pride ourselves on bringing a fresh perspective. Our experience over the past twenty years, combined with the diversity of skills and experience in our in-house team, 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 operating partners and senior advisers chosen for their knowledge and experience in a particular industry, function or discipline (see pages 100-106 for details). 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.

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.

STRATEGY

WORKING ACTIVELY TO DRIVE TRANSFORMATION

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

Our 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 they have the support they need 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 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.

BUSINESS AND FINANCIAL REVIEW

SENIOR MANAGEMENT TEAM

The Senior Management Team is responsible for the firm's strategic direction, stakeholder relations, personnel and corporate responsibility. Comprising our most senior executives who bring complementary skills to the investment review process, it draws on their many years of experience.

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 Team.

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. He enjoys spending time with his family, and his interests include photography and gardens.

BUSINESS AND FINANCIAL REVIEW

Justin King
Vice Chairman, Head of Portfolio Businesses

Justin joined Terra Firma as Vice Chairman and Head of Portfolio Businesses in September 2015. He sits on the boards of the general partners of each of the Terra Firma funds and is a member of Terra Firma's Senior Management Team.

Justin was previously the CEO of Sainsbury's between 2004 and 2014, where he led the business through a major turnaround which led to nine years of profit growth. Before joining Sainsbury's, Justin was Head of Food at Marks & Spencer. He held prior roles at Asda, Haagen-Dazs, PepsiCo and Mars in a thirty-year career spanning consumer goods and grocery retailing.

Justin has previously served as a director of Staples and a board member of the London Organising Committee of the Olympic and Paralympic Games, and was on the audit committee of both organisations. He was also a member of the Prime Minister's Business Advisory Group.

Justin is well-known for his interest in motorsport, supporting his son who races in GP2. After the Manor Formula One team fell into administration, Justin played a key role in its recovery through a company voluntary arrangement, becoming interim Chairman.

In 2013, Justin was named Most Admired Business Leader by Management Today as well as Britain's Most Impressive Businessman in the IPSOS-MORI Captains of Industry Report.

Justin has an Honours degree in Business Administration from the University of Bath and, in 2009, the University of Bath awarded him with an Honorary Doctorate of Business Administration. Justin was awarded a CBE (Commander of the Order of the British Empire) in 2011.

SENIOR MANAGEMENT TEAM

Trudy Cooke
Chief Operating Officer

Trudy is a member of Terra Firma's Senior Management Team. She joined Terra Firma in 2004 as part of the Legal, Tax and Structuring team and most recently served as General Counsel.

Trudy has worked on a number of the firm's transactions, including Tank & Rast and Phoenix Natural Gas.

Prior to Terra Firma, Trudy worked in the Private Equity team at Lovells (now Hogan Lovells).

Trudy has an LLB (Hons) in European Law and Languages (French and German) and a Postgraduate Diploma in Legal Practice from the University of the West of England. She is also a member of the BVCA Legal and Technical Committee.

Dominic Spiri
Chief Financial Officer

Dominic is a member of Terra Firma's Senior Management Team. He joined Terra Firma's Finance team in 2005 as a tax and structuring specialist.

Dominic has worked on a number of Terra Firma's transactions including Infinis, Phoenix Natural Gas, EverPower, AWAS and RTR.

Before joining Terra Firma, Dominic worked in Deloitte's Private Equity Transaction Services Group.

Dominic graduated from Fitzwilliam College, Cambridge, and has a BA Honours degree and a Master of Engineering degree in Chemical Engineering.

He is a Chartered Accountant (ICAEW), Chartered Tax Adviser (CIOT) and sits on the BVCA Tax Committee. Dominic speaks Italian in addition to his native language, English.

In addition to spending time with friends and family, Dominic enjoys travelling, running, skiing and science fiction.

BUSINESS AND FINANCIAL REVIEW

Tim Pryce
Managing Director

Tim is a founder member of Terra Firma. He sits on the boards of the general partners of each of the Terra Firma funds and is a member of Terra Firma's Senior Management Team.

Tim served as Terra Firma's CEO from 2009 to 2016, during which time he re-sized the firm in response to the financial crisis and re-oriented the business to enable it to capitalise on new opportunities. 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 and was also a member of its Investment Advisory and Remuneration Committees.

Tim began his career practising law at Slaughter and May before working at GE Capital, Transamerica and the Principal Finance Group of Nomura International plc. Tim is a solicitor and has an LLB (English law) and an Associateship from King's College, London and a Maîtrise (French law) from the Sorbonne, Paris.

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

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.

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.

BUSINESS AND FINANCIAL REVIEW

Jyrki Lee Korhonen
Managing Director

Jyrki joined Terra Firma in April 2016 to focus on investments across the Nordic region. He was previously a Partner at Triton, a Northern European-focused private equity firm, where he spent 12 years.

Jyrki joined Triton from JP Morgan Partners where he was an Investment Manager working across a number of sectors. He previously worked in equity research at JP Morgan, covering European utilities.

He graduated from the Helsinki School of Economics and Business Administration, and has a Master of Science degree in Economics. Jyrki speaks English and Swedish in addition to his native language, Finnish.

Jyrki enjoys various sports, including tennis and cross-country skiing, and his other interests include architecture and gardening.

Peter Miholich
Managing Director

Peter joined Terra Firma in September 2015. He was previously a Managing Director at Nomura International in London, responsible for the principal credit business in EMEA. Prior to joining Nomura in early 2014, Peter founded and ran his own company, Strategic-Equity Ltd, specialising in sourcing, structuring and executing transactions for two leading global hedge funds, a business which was mirrored in the principal business at Nomura.

Until the end of 2012, Peter was the Global Head of Strategic Equity and Head of Structuring at Royal Bank of Scotland. Peter joined RBS from Deutsche Bank in 2010, where he was responsible for global distribution and structuring in the Strategic Transactions Group. Prior to this, Peter co-founded the corporate equity derivatives practice at Morgan Stanley.

Peter started his banking career in 1994 at JP Morgan and has worked with strategic transactions, cross-asset derivatives and structured investments since 1996.

Peter is Swedish and has a Master of Physics degree from the Royal Institute of Technology in Stockholm.

He lives in London and is married with three children. His interests include sailing, diving and skiing.

SENIOR INVESTMENT TEAM

Michele Russo
Managing Director

Michele joined Terra Firma in April 2016. He was previously majority owner and CEO of Opera SGR, a private equity firm based in Italy, which specialised in the management of distressed private equity funds.

Prior to his involvement with Opera, Michele was a Partner at Lazard European Private Equity Partners Limited, a pan-European fund. He previously spent seven years at Doughty Hanson in London and Milan where he was Managing Director, Head of Southern Europe. Michele has also worked at IBM, Morgan Stanley, Olivetti SpA, Stet Società Finanziaria Telefonica and McKinsey & Co.

Michele holds an MBA from the Wharton School of the University of Pennsylvania and a Laurea in Electronic Engineering from the University of Napoli.

In his spare time, Michele enjoys sailing, diving, triathlon and literature.

Alex Williams
Managing Director

Alex joined Terra Firma in April 2016 to focus on private equity investments in Europe. He has been a private equity investor for 17 years, and he previously spent seven years at First Reserve International Limited, where he was a Managing Director focused on investments in the energy and natural resources sector.

Prior to joining First Reserve, Alex was a Director at 3i. He has been involved in numerous transactions across a wide range of sectors including business services, financial services, consumer goods and health care. Alex began his career in corporate finance at JP Morgan in London.

Alex has a Master's degree in Chemistry from Brasenose College, Oxford University.

He enjoys spending time with his young family as well as taking on adventures such as a trek to the North Pole.

BUSINESS AND FINANCIAL REVIEW

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.

Aayush Deora, Fernanda Almanza

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 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. As carried interest is performance-based, the senior team is only rewarded 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 we are focused not only on the careful selection of investments, but also on nurturing each investment to exit, maximising returns for our investors and – ultimately – the 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.

The long-term alignment of interest between the investor, the private equity fund and its employees is of the utmost importance

BROAD-BASED EXPERTISE

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.

Tavraj Banga, Amar Hami, Peter Miholich

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 they complete rotations with Investor Relations, Finance, 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 and in 2015, six analysts.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work. In 2015, Terra Firma made ten internships available and plans to offer further internship opportunities in 2016.

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

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 Dominic Clark, a 2014 entrant, comments, "The rotational nature of the graduate scheme, which includes several months with Guy Hands and a secondment into one of our portfolio businesses, gives you exposure to every aspect of private equity, from deal sourcing and due diligence, to the decision-making process at the most senior level of the firm."

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.

Augusto Cosulich, a 2015 entrant, says, "The level of exposure and insight we get into the private equity world is one of the best things about this programme. Being able to participate in meetings and calls with CEOs, CFOs and Managing Directors on a daily basis is something that most people don't get at our level. This means that we are constantly challenged, which is great from a development perspective."

Graduates spend one full year working within one or two portfolio businesses, which is key to understanding how our businesses operate and appreciating the challenges they face.

Alex Hibbard, a 2015 entrant, says, "Terra Firma offers the opportunity to learn about more than just private equity – we learn a lot about how businesses work, and what can be done to make them better. I spent six months working in Four Seasons Health Care, and that experience of being deeply embedded within a business is invaluable now that I am back in Terra Firma's London office working on analysing new investments."

Terra Firma graduates come from a diverse array of backgrounds, bringing their fresh perspectives to the business. Participants have studied subjects as wide-ranging as Chemistry, History and International Relations and speak a variety of languages.

Terra Firma believes it is important to invest in analysts' ongoing training. Fernanda Almanza, who joined the programme in 2014, says, "The Graduate Programme equips you with a broad range of skills to ensure you have a strong start to your career. Terra Firma encourages you to pursue training, such as the CFA Program and language classes, to help you develop as an investment professional."

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

BUSINESS AND FINANCIAL REVIEW

OPERATING PARTNERS & SENIOR ADVISERS

Terra Firma works with a range of operating partners and senior advisers chosen for their knowledge and experience in a particular industry, function or discipline. These individuals provide independent views on the portfolio businesses' performance as well as insights into specific business sectors and how changing political landscapes might affect potential investments and opportunities in new markets.

Robbie Barr

Robbie serves as Chairman of Four Seasons Health Care as well as Odeon & UCI Cinemas. Until March 2016, Robbie was a Managing Director of Terra Firma, having joined the firm in 2009, where his focus was on operational transformation and value enhancement in Terra Firma's portfolio businesses. During this period, in addition to his involvement with Odeon & UCI and Four Seasons Health Care, he was also Deputy Chairman of the Supervisory Board of Deutsche Annington and a director of AWAS.

Prior to joining Terra Firma, Robbie held a number of senior positions at Vodafone Group plc, including the role of Group Financial Controller and the 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.

Lord Birt

Lord Birt became an adviser to Terra Firma in 2005 and has been involved in a number of its portfolio companies. He has previously served as Chairman of WRG, Infinis, and Maltby Capital, the holding company of EMI.

Lord Birt has been a member of the House of Lords since 2000. He was Director-General of the BBC from 1992–2000, then Strategy Adviser to the Prime Minister (Tony Blair) from 2000–2005.

In addition, Lord Birt has been an adviser to McKinsey & Co. and to Capgemini. He is currently Vice-Chairman of Eutelsat and previously served as Chairman of PayPal Europe.

BUSINESS AND FINANCIAL REVIEW

Peter Dixon

Peter is Chairman of Infinis Energy Ltd. He is also a Director of Eli Finance Ltd, the holding company for Four Seasons Healthcare, brighterkind and The Huntercombe Group.

Peter is currently Chairman of Lionrai Investments and Phoenix Energy Holdings on behalf of Hastings Infrastructure Fund UK. He is Director of HDFUK Ltd and South East Water Ltd on behalf of the Utility Trust of Australia Pension Fund and a senior adviser to Hastings Infrastructure Fund UK. He was a member of the Board of Belfast Harbour Commissioners between 2008 and 2016.

Peter has worked in the utility infrastructure sector for the past 40 years. Until 2015, Peter was Group CEO of Phoenix Energy Holdings, the Northern Irish gas utility previously owned by Terra Firma, a position he held for 15 years. He was also a Director of East Surrey Holdings plc and Sutton & East Surrey Water Ltd.

Previously, Peter was an adviser and board member to the Winston Churchill Memorial Trust, a Fellow of the Institute of Energy, a Companion of the Institute of Gas Engineers and Patron of the Energy & Utility Skills Council.

Fraser Duncan

Upon joining Nomura's PFG in 1997, Fraser was Portfolio Finance Director, subsequently becoming Chief Operating Officer up to the point of the group's spin-out from Nomura to form Terra Firma. Fraser was a member of the Investment Advisory Committee and Funds' General Partner Boards and had line responsibility for the portfolio business team. In this role, Fraser had Board seats on many of the portfolio companies, providing an overview of operational issues, performance and governance.

Fraser left Terra Firma in September 2009 to broaden his career. Within the Terra Firma portfolio, he remains a Non-Executive Director of Annington Ltd and Odeon & UCI Holdings plc.

He is also Chairman of a video production company and co-founded the branded restaurant business, Clockjack, which he is actively involved in developing.

Fraser graduated from York University with a degree in Economics and Statistics. During his early career with Unilever he qualified as a Chartered Management Accountant. Following five years in strategy consulting with Cameron Consultants, Fraser joined the BET Group which was subsequently acquired by Rentokil to become Rentokil Initial. He had a number of roles within this group, including Business Development Director of the Plant Services and Electronic Security Division and CFO of Initial Shorrock, the electronic security business.

OPERATING PARTNERS & SENIOR ADVISERS

Elizabeth Filkin

Elizabeth is currently Chairman of Annington Holdings plc. She is also the Chairman of the Appointments Committee and Statutory Committees GPhC and, as an Independent Adviser to the Metropolitan Police Service, she published a report in January 2012 on relationships between the police and the media.

Elizabeth served as Parliamentary Commissioner for Standards between 1999 and 2002. Other previous posts include Chairman of the Appointments Board S.R.A.; Chair of the Association for Television on Demand; Chairman of the Advertising Advisory Committee; Deputy Chairman of the Regulatory Decisions Committee, F.S.A.; The Adjudicator, Inland Revenue and Customs and Excise; Commissioner at the Audit Commission; Deputy Chief Executive, London Docklands Development Commission; Chief Executive Citizens Advice; Non-Executive Director of Logica plc and Britannia Building Society; and Non-Executive Adviser to the boards of Weatherall Green and Smith and Hay Management Consultants.

Elizabeth is a Trustee of the Vodafone Foundation and Adviser to the Institute of Business Ethics. She has honorary doctorates from Brunel and Southbank Universities and is a Fellow of Hughes Hall, University of Cambridge.

Elizabeth has a degree from Birmingham University and attended the Cabinet Top Management Programme.

BUSINESS AND FINANCIAL REVIEW

Rupert Gavin

Rupert Gavin was appointed to the board of Wyevale Garden Centres as a Non-Executive Director in 2014.

He is the previous CEO of Odeon & UCI Cinemas, owned by Terra Firma. Prior to joining Odeon & UCI, Rupert held senior positions at the BBC, BT and Dixons. He is currently Chairman of Historic Royal Palaces, and for the Government, he is Chairman of the Honours Committee (Arts and Media).

He is also Non-Executive Director of Countrywide Plc; Chairman of Incidental Colman Ltd, a West End theatre producing company; and Chairman of Theatre Co-Productions (sales and marketing) Ltd.

As a keen gardener and as the former publisher of Gardeners' World Magazine and many popular gardening books, Rupert brings a personal enthusiasm and knowledge of the sector to Wyevale Garden Centres.

Stephen Julius

Stephen Julius is a Non-Executive Director of Wyevale Garden Centres, Odeon & UCI Cinemas and brighterkind.

Stephen is an entrepreneur and investor, focused on acquiring and relaunching iconic consumer brands through his privately-owned firm, Stellican Ltd. which he founded 23 years ago. He is currently Chairman and controlling shareholder of US-based Chris-Craft boats. Previously, amongst other investments, Stephen was Chairman and controlling shareholder of Indian Motorcycle in the USA, Riva boats in Italy, and he was also the first foreigner to acquire an Italian Premier League football club, Vicenza Calcio. Stephen began his career at The Boston Consulting Group.

Stephen has a BA in Classics from Magdalen College, Oxford, and an MBA from Harvard Business School

OPERATING PARTNERS & SENIOR ADVISERS

Mike Kinski

Mike retired from Terra Firma in July 2015 after being an Operational Managing Director with the company for 15 years. During his time with Terra Firma, he was involved with most of the portfolio businesses. Since his retirement, he has been an adviser to a number of Terra Firma portfolio businesses and currently sits on the boards of CPC, Infinis, EverPower and AWAS.

Prior to joining Terra Firma in 2000, Mike was Group Chief Executive of Stagecoach Holdings plc (FTSE 250) and Chief Executive of Power Distribution and Water Operations for Scottish Power plc (now part of Iberdrola, an IBEX 35 company). This included the position of Chairman and Chief Executive of Manweb Electricity plc and Chairman and Chief Executive of Southern Water plc. Prior to this he was a main board director of Jaguar Cars, Ltd. He was also a government appointed Non-Executive Director of the UK Post Office from 1998 to 2002.

Mike has an HNC in Electrical Engineering from Coventry University and an MBA (with distinction) from Warwick University. He is a visiting professor and honorary doctor at Middlesex University.

Stephen Murphy

Stephen Murphy has served as Chairman of Wyevale Garden Centres (previously The Garden Centre Group) since 2012. Before joining WGC, Stephen was Group CEO of the Virgin Group from 2005–2011, having succeeded the Founder, Sir Richard Branson. He oversaw the worldwide interests of Virgin Group and was responsible for global strategy.

Stephen is also Non-Executive Chairman of the Jumeirah Group, the UAE-based international hospitality group; Chairman of Byron Hamburgers Ltd, a leading UK gourmet burger restaurant chain; Chairman of Ovo Energy Group Ltd, a major UK energy supplier; and a Non-Executive Director of the Business Growth Fund, a £2.5 billion UK investment fund supporting small- and medium-sized UK enterprises. He is also an Advisory Partner at Ashcombe Advisers LLP, a specialist corporate finance and advisory business.

Stephen has previously worked for Mars Group Plc, Ford Motors and Unilever Plc.

BUSINESS AND FINANCIAL REVIEW

Dr. Werner G. Seifert

Dr. Seifert is Chairman of the AWAS Board of Directors and owner of Lettercollum Recording, Timoleague, Co. Cork, Ireland.

During the course of his career, Swiss national Dr. Seifert has held positions as CEO of Deutsche Börse AG, General Manager of Swiss Re and Partner of McKinsey & Co., and served on several boards.

Dr. Seifert holds a PhD in Business and Political Science from the University of Hamburg, Germany. Until 2012, he taught as an Honorary Professor at the European Business School in Reinhartshausen, Germany. He is the author and editor of several books.

Ian Smith

Ian Smith serves as Special Adviser to the Board of Four Seasons Health Care. He served as Chairman of Four Seasons Health Care from 2012 to 2016.

Ian was previously CEO of Reed Elsevier, an information company, CEO of Taylor Woodrow, the house-building and construction company, and CEO of General Healthcare Group, which owned and operated nearly 70 hospitals (comprising a mixture of acute surgical facilities and psychiatric care) in the UK.

Prior to General Healthcare, Ian was CEO Europe for Exel, the logistics and transportation group, and CEO of Monitor Company Europe, a strategy consulting firm, and a partner of the worldwide firm. He started his business career with nearly 10 years at the Royal Dutch Shell group of companies, mostly as a CEO of Shell businesses in the Middle East.

Ian has an MA from Oxford University and an MBA from Harvard. He is an Adjunct Professor at the Imperial College Business School. He is also an Honorary Professor at Salford University and is on the Board of the Institute for Dementia within Salford University.

OPERATING PARTNERS & SENIOR ADVISERS

Ingmar Wilhelm

Ingmar advises Terra Firma on energy and infrastructure-related investments and serves as Chairman of the board of directors of RTR. He joined Terra Firma in 2014 as a Managing Director to focus on the firm's investments in renewable energy.

Ingmar joined Terra Firma from Enel Green Power, where he was Executive Vice President and in charge of global business development. He was responsible for a worldwide project pipeline of around 30 GW which was developed with 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 commercial growth strategy and the entire five million-strong client base on the free market for power and gas supply in Italy with around €10 billion of revenues. Prior to his time at Enel, Ingmar worked with E.ON and Électricité de France.

He has also served on the boards of directors of several international joint ventures and associations, in particular at EEX, the European Energy Exchange, at Powernext, the French Power Exchange, and at EPIA, the European Photovoltaic Industry Association.

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

TRANSPARENCY AND STAKEHOLDER INTERACTION

Fabian Lang, Dominic Clark, Joe Thompson

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

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

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

A report published in March 2016 by the Private Equity Reporting Group – the group created to monitor private equity firms' compliance with the Guidelines for Disclosure and Transparency in Private Equity – featured three examples from one of Terra Firma's businesses as examples of good disclosure.

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.

RESPONSIBILITY

As part of our holistic approach to being a responsible business, we believe that the consideration of environmental, social and governance ('ESG') issues makes good business sense, supports alignment of interests and can help to create long-term sustainable value alongside important benefits to the wider community. In 2011, we made our 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 Terra Firma's Sustainability Committee.

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

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 2015 emissions were equivalent to 2,250 tonnes of CO_2, approximately 25 per cent lower than in 2014 mainly as a result of lower travel-related emissions. An element of our carbon footprint was offset at the point of purchase, leaving 2,076 tonnes of CO_2e which we offset by purchasing carbon credits in the voluntary market. In offsetting our 2015 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 portfolio businesses participate in the CRC Energy Efficiency Scheme and in the Energy Savings Opportunity Scheme, and we have supported their efforts and investments to better manage energy consumption.

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 aim to consider all relevant risks and opportunities 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, and have provided investment staff with ESG training.

Terra Firma invests in companies that respect human rights, comply with industry standards and local regulations, and that act in a socially responsible manner.

Our efforts to develop and implement our responsible investing approach have been recognised by the BVCA, which 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.

3

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

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. In addition to financial support, TFCPL employees are given the opportunity to contribute their time to these charitable organisations in our local community.

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

AGE UK LEWISHAM AND SOUTHWARK

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

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.

The Trust has made total commitments of nearly £2 million

BUSINESS AND FINANCIAL REVIEW

CONTACT THE ELDERLY

For more than 50 years, Contact the Elderly has been creating long-lasting friendships that are life-changing for isolated older people. The charity's monthly Sunday afternoon tea parties offer a simple solution to reducing the loneliness felt by thousands of older people aged 75 and over. Contact the Elderly is currently supported by over 9,000 volunteer drivers and hosts, who work together to bring people back into the community, developing fulfilling friendships and support networks, and giving everyone involved something to look forward to each month.

CORAM

Coram South London Adoption ('Coram') works closely with Southwark Council in order to find and prepare amazing families for the children who are still awaiting stable, loving homes. Coram specialises in placing the 'hardest to reach' children, including children over four years old and those who may have had particularly traumatic starts in life. Southwark is an inner city borough with one of the largest numbers of looked after children in the country. However, the borough is currently being affected by a national downward trend in the number of children being put forward for adoption, which has nearly halved in recent years. In 2013, there was a fall of 47 per cent in the number of children being granted adoption placement orders.

PRINCE'S TRUST

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

Reprezent runs a youth-led radio station. Terra Firma's support has helped to train 35 young people in broadcast journalism in Southwark. This sustained training and volunteering 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. Young people produce and present their own radio shows which provide them with the confidence and social capital to help them make the transition from youth to young adulthood.

BUSINESS AND FINANCIAL REVIEW

RESPONSIBILITY

ST VINCENT DE PAUL SOCIETY

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 150 countries, with nearly 800,000 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

XLP was founded by Patrick Regan, OBE, twenty years ago after a stabbing in a school playground in Lambeth. Today, it works in eight boroughs around the City of London, with the key aim of creating positive futures for young people living in some of the most disadvantaged communities in London.
It works with 1,500 young people per day one-to-one or in small groups, with a focus on those who are excluded or on the verge of exclusion from school, or who are involved in or on the edge of gangs or criminality. The Community Bus Project, supported by Terra Firma, travels to 17 inner city estates each week with 70 per cent of regular attendees to the project showing significant improvement in attitudes and 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 CENTRE

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

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

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

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 help to finance a full-time employee for this valuable service.

YOUNG PEOPLE GUERNSEY

Young People Guernsey ('YPG') identifies and responds to the needs of young people in the Bailiwick, particularly those in need and ultimately those at risk.

In partnership with Barnardo´s – the UK´s largest children´s charity – it has established a youth information, advice and counselling centre ('a one-stop shop') in St. Peter Port for young people aged 11- to 16- years old. This has been a ground-breaking venture for Guernsey.

The development of YPG arose in response to a need for a neutral, independent, professional advice centre within Guernsey for young people: a place where young people could access free and confidential support, allowing them to make informed choices.

We are fully committed to supporting our local communities

BUSINESS AND FINANCIAL REVIEW

CONTACT THE ELDERLY

CONTACT THE ELDERLY

OFFERING THE LIFELINE OF FRIENDSHIP

The image of an older person sitting home alone, week after week of silence and loneliness with nobody to talk to or share a cup of tea with, is an incredibly powerful one. It is exactly this kind of scene that national charity Contact the Elderly is committed to eradicating.

Since 1965, Contact the Elderly has been tackling loneliness and social isolation amongst older people by organising community-focused Sunday afternoon tea parties. Groups of volunteers and older people meet every month over tea and cake to chat, make friends and enjoy a social afternoon together.

Contact the Elderly and Terra Firma have a partnership of over two years. During this time, the firm has supported the charity as it continues to grow, and is helping it achieve its aim of supporting the loneliest and most isolated older people in society.

Some of the key ways in which Terra Firma has contributed to the work of Contact the Elderly include financing Christmas London Underground poster campaigns, which reach hundreds of new volunteers year after year, and enabling it to support existing groups to ensure they are running smoothly, and establish new groups in areas identified as 'loneliness hotspots'.

SYLVIA, JULIA, MARGARET

When photographer Michael Whelan was invited to take photos of Contact the Elderly service users, he asked them about what the tea parties mean to them. He was taken aback at some of the reasons his sitters gave, and he discovered first-hand how crippling loneliness can be.

"It's awful when you shut the door, it really is awful but what do you do? I am sad, I've got to be honest." Sylvia, 80

"I first started feeling lonely after I came out of hospital, because no-one contacted me, my GP didn't call, no-one called for 14 days and I felt very lonely, neglected and sometimes felt I wish I was dead." Julia, 80

"Feeling lonely is like feeling unwanted and unloved, you get careless in the way you dress and do your hair because at the end of the day you've got nowhere to go." Margaret, 83

BUSINESS AND FINANCIAL REVIEW

LONELINESS: A GROWING EPIDEMIC

Experts estimate that two million older people suffer from chronic loneliness and isolation all of the time and, unfortunately, this number is growing due to a rapidly ageing population.

Contact the Elderly supports over 5,000 older people with the help of a dedicated network of 9,000 volunteers and 640 groups across England, Scotland and Wales. The majority of service users fall into the category of 'oldest old' and are affected by a variety of issues which leave them vulnerable to feelings of loneliness and isolation. For example, reduced mobility affects their ability to leave the house unaided or use public transport, bereavements can cause emotional distress, and family and friends moving away can leave people feeling lost without their usual support network.

A SIMPLE SOLUTION: TEA, CAKE AND CONVERSATION

Contact the Elderly's simple solution of monthly tea parties has been effective for over 50 years, and the benefits of the tea parties on service users' physical and mental wellbeing are clear to see. 80 per cent of service users say they feel less lonely and have something to look forward to, 30 per cent say they have taken up a new activity or hobby as a result of joining a group, and 26 per cent say they visit their doctor less because they feel healthier.

MAUD

Five years ago, Maud, now aged 91, suddenly found herself suffering from loneliness after her lifelong best friend died. "I never married or had children, so when my best friend Margie died, I was at a complete loss," says Maud. "Margie and I did everything together. After her passing, the loneliness was unbearable. I used to love listening to classical music, but with Margie gone I stopped all that. I just couldn't be bothered."

Becoming completely isolated in her home, Maud was visited by a doctor who was concerned she was becoming depressed. But this changed when she found out about Contact the Elderly. "Just over five years ago, I was reading a magazine when I came across a story about Contact the Elderly, and the idea of going out once a month really appealed to me. I called them and found out there was a space in the local group and I could join. Since that phone call, my life has changed completely. We meet once a month on a Sunday afternoon for tea parties. It may not sound like much, but it has transformed me and given me something to look forward to. I know I'm going to see my friends, have a chat and eat some lovely cake too."

Terra Firma is helping Contact the Elderly achieve its aim of supporting the loneliest and most isolated older people in society

FINDING FULFILMENT THROUGH VOLUNTEERING

With Terra Firma's support, Contact the Elderly has helped thousands of people find fulfilment through volunteering. Volunteers speak of the difference the charity has made to their lives, as much as the older service users do. A strong sense of community cohesion is formed when volunteers get to know older people in the community and realise what a huge impact they can make with just a few hours of their time each month.

EXTENDING THE LIFELINE OF FRIENDSHIP

The fact that Contact the Elderly has been in existence for over 50 years shows that demand for the service is not diminishing and with the support of Terra Firma, the charity looks forward to extending the lifeline of friendship to more older people.

By 2021, the charity aims to double its service delivery and continue to establish groups in areas where the service is needed most. Working in partnership with Terra Firma, Contact the Elderly will be able to reach its goals and continue to tackle the loneliness felt by millions of older people nationwide.

BEATRICE

"Contact the Elderly came into my life at such an important time. I had just lost my partner and I'd been in hospital for a major operation. The tea parties give me something to look forward to and the chance to meet other people. I feel that Contact the Elderly has helped me to be part of the world again, I still look forward to it very much each month." Beatrice, 78

ON TRACK FOR EXCELLENCE

In 2015, Terra Firma began sponsoring promising young British racing driver Alex Lynn. Alex is currently competing in the GP2 Series, with ambitions of racing in Formula 1 ('F1') and one day becoming world champion.

GP2 is the recognised stepping stone into F1, with races taking place at the same circuits on the same weekends as many of the Grands Prix. Just like F1, the GP2 races are broadcast live on Sky Sports, and the cars are so quick that they can actually match some of the lower F1 teams when it comes to lap times.

Alex and a number of other young drivers all hope to impress the watching F1 team bosses and secure one of just 22 places in the world's premier racing series. However, this could not happen without the support of key sponsors such as Terra Firma.

Terra Firma is proud to sponsor Alex, a young individual who is incredibly talented and motivated to achieve the highest awards in his field. For over twenty years, Terra Firma has been transforming businesses into best-in-class organisations, and we admire Alex's own commitment to being at the top of his game. We have chosen to support him and share in his journey because he embodies the hard work, dedication and talent that are required to become truly best-in-class.

Alex entered GP2 in 2015, signing with the DAMS team from France, one of the most respected outfits in the championship. Despite his rookie status, he was among the quickest drivers from the beginning, qualifying third for his very first race in Bahrain. He bettered that performance at the next race in Barcelona, ending the weekend by taking his maiden victory after charging from fourth on the grid to lead by the start of the second lap.

BUSINESS AND FINANCIAL REVIEW

Alex went on to score another podium finish at the Red Bull Ring in Austria before a pair of top-six finishes on home ground at Silverstone. Then, at the Hungaroring, he delivered his first pole position in GP2 and converted it into a fantastic race win in a one-two finish for DAMS. At the end of a very encouraging first season, Alex finished sixth in the championship standings. With one season of experience now firmly under his belt, his aim is to fight for the GP2 title in 2016.

Around the same time as moving into GP2 in early 2015, Alex joined the Williams Martini Racing F1 team as Development Driver. As part of this role, just days after scoring his first GP2 win at Barcelona, Alex got behind the wheel of a Williams F1 car for the first time in testing. The team was instantly impressed; team principal Claire Williams even said that he had 'over-delivered'.

His move into GP2 and arrival at Williams came after earning a reputation as one of the most talented drivers competing below F1, thanks in part to winning the 2014 GP3 Series title in his first year. Racing for the British Carlin squad as a member of the renowned Red Bull Junior Team programme, he led the championship from start to finish with commanding early wins at Barcelona and the Red Bull Ring, and a third victory coming later in the year at Spa-Francorchamps.

Alex has remained with DAMS into 2016 to fight for the title. He also continues as a development driver for Williams Martini Racing, with his dream of racing in F1 well within reach – possibly as early as 2017. As Alex pursues the highest levels of achievement in his field, Terra Firma is committed to helping him achieve that goal.

CORPORATE GOVERNANCE

FRAMEWORK

Terra Firma is committed to the highest standards of corporate governance and TFCPL, TFCML and TFCAL 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, Dominic Spiri and Trudy Cooke, 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 Trudy Cooke, Dominic Spiri and Ffion Griffith (Human Resources Director), 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.

BUSINESS AND FINANCIAL REVIEW

TFCML

TFCML has a board of Guernsey-based directors comprising two Executive Directors – Guy Hands and Rupert Mackay – and two Non-Executive Directors – John Stares and Iain Stokes. TFCAL is a subsidiary of TFCML, and shares the same directors.

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.

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.

Dominic Spiri

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

CORPORATE GOVERNANCE

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

Patrick Finan, 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 seeking such third parties' consent to the conflict or 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.

GENERAL ACCOUNTABILITY

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 and TFCAL are licensed by the Guernsey Financial Services Commission.

COMPLIANCE OFFICERS

William Burnand is the Compliance Officer of TFCPL. The Compliance Officer's function is to, amongst 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.

FINANCIAL STATEMENTS

TFCPL prepares annual audited financial statements. These financial statements, which are prepared in accordance with the UK Companies Act 2006, are prepared to give a true and fair view of the performance and position of TFCPL. TFCPL's year end is 31 March and the accounts are filed annually at the UK Companies House where they are publicly available. TFCPL's auditor is Deloitte LLP.

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 UK 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 LLP.

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.

CONTINGENCIES – LITIGATION

TFCPL and TFCML 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 both the share capital of TFCPL and TFCML.

BUSINESS AND FINANCIAL REVIEW

RISKS AND UNCERTAINTIES

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

RISK MANAGEMENT

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

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

The advice that the Terra Firma advisers provide aims to take account of potential market risks related to economic and political events and trends. In order to stay apprised of current events and future financial trends and 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 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 and TFCML are exposed to currency risk to the extent that, while their incomes are predominantly in sterling, some of their costs are in euro. While these costs are not hedged, management believes they do not represent a material risk to the business.

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.

04 OUR FUNDS

Crib goch, Snowdonia National Park

OUR FUNDS – TFCP II, TFCP III, TFSOFI

TERRA FIRMA FUNDS

AGGREGATED FINANCIAL STATEMENTS[1]

BALANCE SHEET	NOTE	AGGREGATE 2015 €'000	AGGREGATE 2014 €'000
FIXED ASSETS			
Investments at fair value through profit or loss	2(b), 5	6,945,944	7,282,437
CURRENT ASSETS			
Cash at bank		52,454	35,333
Accounts receivable	6	265	2,369
CURRENT LIABILITIES			
Accounts payable	7	1,835	1,936
NET ASSETS		**6,996,828**	**7,318,203**
PARTNERS' ACCOUNTS		**6,996,828**	**7,318,203**
Revaluation surplus included in Net Assets		(2,790,103)	(2,593,259)
Book Value of Net Assets		**4,206,725**	**4,724,944**

PROFIT AND LOSS STATEMENT	NOTE	AGGREGATE 2015 €'000	AGGREGATE 2014 €'000
INCOME AND EXPENDITURE			
Net gain from investments at fair value through profit or loss	2(b)	956,460	1,001,842
Bank interest	2(c)	2	27
Other income		–	3
General Partner's Share		(51,519)	(61,597)
Partnership expenses		(14,597)	(9,036)
Foreign exchange loss	2(d)	(101)	(154)
Auditor's remuneration		(352)	(332)
Bank charges		(47)	(19)
NET RESULT FOR THE YEAR		**889,846**	**930,734**

[1] Although Terra Firma Deutsche Annington's (`TFDA') investment in Deutsche Annington was exited in 2014 and TFDA is no longer an active fund, the TFDA Partnerships still exist and are therefore included in the aggregated financial statements

4

OUR FUNDS – TFCP II, TFCP III, TFSOFI

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND PURPOSE

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

PARTNERSHIP	ESTABLISHMENT DATE	GENERAL PARTNER
Terra Firma Capital Partners II, L.P.-A	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-B	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-C	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-D	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-E	22 August 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-F	25 October 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-H	1 October 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 1 L.P.	24 November 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2 L.P.	25 November 2004	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 3 L.P.	23 March 2005	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2a L.P.	29 April 2005	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners III, L.P.	19 December 2005	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington L.P.	3 March 2006	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-II L.P.	19 May 2006	Terra Firma Investments (DA) II Ltd
Terra Firma Deutsche Annington-III L.P.	19 May 2006	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4 L.P.	23 August 2006	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment L.P.	4 September 2007	Terra Firma Investments (GP) 3 Ltd
TFCP II Co-Investment 4a L.P.	17 September 2007	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment 2 L.P.	29 November 2007	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington-IV L.P.	19 December 2007	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-V L.P.	19 December 2007	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4b L.P.	4 August 2008	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment A L.P.	4 August 2008	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment B L.P.	2 July 2009	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment 2A L.P.	24 May 2010	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment C L.P.	19 November 2010	Terra Firma Investments (GP) 3 Ltd
Terra Firma Special Opportunities Fund I, L.P.	12 March 2012	Terra Firma Investments (Special Opportunities Fund I) Ltd

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), and in accordance with UK Accounting Standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

(b) INVESTMENTS

Investments are recognised initially at fair value, which is normally the transaction price adjusted for transaction costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss.

Net gain from investments includes all realised and unrealised fair value changes, realised interest and foreign exchange differences.

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.

The General Partner has determined the fair value of all investments in accordance with the IPEV Board's Valuation Guidelines and these are disclosed in Note 5 to the financial statements.

(c) 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.

OUR FUNDS – TFCP II, TFCP III, TFSOFI

(d) 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 2015 €'000	AGGREGATE 2014 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS:		
As at 1 January	7,282,437	9,554,955
Additions during the year	–	145,565
Disposals during the year	(288,275)	(1,810,312)
Changes in fair value during the year	(113,076)	(672,627)
Foreign exchange impact	64,857	64,856
FAIR VALUE OF INVESTMENTS AT 31 DECEMBER	**6,945,944**	**7,282,437**
BOOK VALUE	**4,155,841**	**4,689,178**

6. ACCOUNTS RECEIVABLE

	AGGREGATE 2015 €'000	AGGREGATE 2014 €'000
Drawdowns receivable	13	2,106
Recoverable costs receivable	252	263
	265	**2,369**

NOTES TO THE FINANCIAL STATEMENTS

7. ACCOUNTS PAYABLE

	AGGREGATE 2015 €'000	AGGREGATE 2014 €'000
Costs payable	1,835	1,936
	1,835	**1,936**

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 Partnerships invest mainly in companies based in Europe. The performance of their investment portfolios is influenced by economic growth, interest rates, foreign exchange rates, and commodity and energy prices. This risk is mitigated by the geographically diversified operations of the 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, 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 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 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

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carbonclear®

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

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