



Terrace Hill Group PLC

Half-Yearly Report
Six Months to 30 April 2008

Corporate Statement

Terrace Hill Group PLC (THG) is a regionally based UK property development and investment group listed on AIM.

The group has offices in **London**, the **North East**, the **South West** and **Scotland**, offering national presence with local knowledge.

THG aims to provide shareholders with above average returns through its property skills and expertise and rigorous management of risk.

Risk is managed throughout the business with a particular focus on:

- structuring finance to ensure all properties are funded to optimise the balance of risk and reward to the group
- portfolio diversity by sector and geography, focusing on areas where we perceive the potential for exceptional returns
- stock selection using expert knowledge of local markets and thorough due diligence prior to any acquisition
- managing construction through an internal project management team controlling cost, delivery and design risk

THG manages a total commercial development and investment programme with a projected end value of £1.2 billion, a residential investment portfolio of £291.9 million and a housebuilding landbank in Scotland with potential for over 1,400 units.

01	Highlights
02	Chairman's Statement
04	Review of Operations
06	Financial Review
07	Independent Review Report to Terrace Hill Group PLC
08	Unaudited Consolidated Income Statement
09	Unaudited Consolidated Statement of Changes in Equity
10	Unaudited Consolidated Balance Sheet
11	Unaudited Consolidated Cash Flow Statement
12	Notes to the Half-Yearly Financial Statements

Highlights

£1.2bn

Development programme projected end value, including joint ventures

£291.9m

Residential investment portfolio under management

380,000 sq ft

Space let or under offer since 31 October 2007

75.8p

Triple net asset value per share

0.8p

Interim dividend per share

Chairman's Statement



I am pleased to present our unaudited results for the six months to 30 April 2008, during which time we have continued to make strong operational progress on our portfolio, despite the unprecedented turbulence in the financial markets and weakening capital values in the property market.

During the six month period our triple net asset value (TNAV) has decreased by 9.4% to 75.8 pence per share (31 October 2007: 83.7 pence per share). The adjusted net asset value (ADNAV) has decreased by 12.7% to 84.1 pence per share (31 October 2007: 96.3 pence per share). Adding back dividend payments underlying TNAV has decreased by 8.0% since 31 October 2007. Our long-term target remains to grow underlying TNAV as adjusted for dividend payments, by an average annual rate of 20% across the cycle although we recognise that this will not be achievable in the short term. In the meantime, we aim to outperform the sector and we are confident that once market conditions stabilise we will again see growth both from our existing portfolio and from new opportunities which will arise out of the current difficult economic climate.

In view of the confidence of the board in the future prospects of the group and its ability to deliver good returns to shareholders, it is recommending payment of an interim dividend of 0.8 pence per share, the same level as for the six months to 30 April 2007, to be paid on 22 August 2008 to shareholders on the register at 8 August 2008.

The group's profit before tax for the six months amounted to £4.4 million (six months to 30 April 2007: £12.7 million). The reduction in profit before tax is accounted for by a decrease in the valuation of the group's interest in residential investments for the current period compared with an increase in value reflected in the six months to 30 April 2007.

We have cash balances of £25.5 million together with undrawn debt facilities of £37.5 million. Bank debt at the period end was £72.9 million (31 October 2007: £65.5 million) net of cash of £25.5 million (31 October 2007: £26.9 million). The loan to value gearing, net of cash, in relation to the group's property portfolio held on balance sheet was 34%.

The overall ratio of borrowings, net of cash, to the value of the property portfolio (including the group's share of debt held by joint ventures and associated undertakings) was 56% (31 October 2007: 50%), the increase being largely due to the reduction in the valuation of the properties. The board is satisfied with the level of gearing as the balance sheet gearing, on a similar basis, remains at a more conservative level of 34% and there is limited recourse to the group for the debt within the joint ventures and associated undertakings.

Commercial values have fallen as yields have risen and rental growth has largely halted. As a result, and in common with our industry peers, the anticipated profit margins from some of our developments has fallen. However, the excellent progress we are making in adding value through lettings, planning successes and careful management of the development process, enables us to mitigate much of the impact of falling values.

Our emphasis on managing risk and, in particular, on letting our commercial developments has proved successful. Since 31 October 2007, over 380,000 sq ft of space has been let or placed under offer, representing a rental value of over £8.5 million per annum. Of our committed development programme, 48% by completed value is now let, pre-let or pre-sold. Whilst we believe economic conditions will lead to a slow down in occupier demand in some business sectors, we are confident that we will continue to make progress with the letting of our developments and have limited exposure to areas reliant on demand from the financial sector.

Furthermore, despite a general rise in construction costs we are managing to maintain these costs within the budgets allowed for in our appraisals.

Within our residential investment portfolios, we have seen capital values decrease by an average of 3.25%. By contrast there is strong demand for lettings which is reflected in increases in both rental values and occupancy rates. We expect capital values to fall further in the short-term but we remain positive about the longer term prospects for this sector. We anticipate a return to growth in capital values as liquidity improves and the demand and supply imbalance is further exaggerated by the rapid reduction in new home completions.

Clansman Homes, our Scottish housebuilding division, is continuing to make good progress. Its sites are all situated in Scotland within a 40 mile radius of Glasgow where the house price to earnings ratio is well below the national average and employment levels remain stable. Our typical product is priced at £150,000 – £200,000 and targeted at middle market families who are not reliant on aggressive mortgage products in order to purchase their homes. Therefore, we do not expect to experience as significant a dip in demand for these units as is anticipated across the broader UK market.

Outlook

Whilst the short-term outlook for the property market looks weak and is unlikely to significantly improve until the current liquidity issues in the banking sector are resolved and the outlook for the general economic climate stabilises, the board's outlook for the group remains positive. By continuing to utilise the skills and resource of our management team and, by taking advantage of our balance sheet strength, I am confident we can derive positive returns from our existing portfolio and that we are well positioned to take advantage of the opportunities this challenging market presents.

Robert F M Adair

Robert F M Adair
Chairman
2 July 2008

“By continuing to utilise the skills and resources of our management team and by taking advantage of our balance sheet strength, I am confident we can derive positive returns from our existing portfolio and that we are well positioned to take advantage of the opportunities this challenging market presents.”

Review of Operations

Our ability to add value through the careful management of the development process and control of costs helps us to mitigate against the pressure on valuations in these difficult economic and market conditions.

We are continuing to successfully attract occupiers to our commercial developments and whilst the occupational market is sure to be affected by a slowing economy, we are finding that demand remains reasonable outside the main financial sectors. The transactions highlighted below, agreed with companies such as Sainsbury's, NPower and Biogen Idec, demonstrate that companies are still executing business expansion and relocation strategies across a range of industry sectors and since 31 October 2007 we have let or placed under offer over 380,000 sq ft of space with an annual rental value of over £8.5 million. The rents achieved on all these lettings have been at or close to the originally appraised levels at the commencement of the developments. The total percentage of space let, pre-let or pre-sold amounts to 48% by completed value of our committed developments.

The investment yields used to value our current on-site developments have typically increased by 50 basis points since 31 October 2007 and we expect to see some further weakening of investment yields over the next few months. However, the impact of this on our future TNAV and profitability is not directly proportionate to the fall in value of the underlying asset due to the nature of the joint venture arrangements and financing structures.

We have continued to make solid progress since the year end with trading highlights including:

Lettings:

- Pre-let of 110,000 sq ft of office space to NPower at the group's £300 million Baltic Business Quarter development in Gateshead, generating an annual rental income of £1.87 million.
- Letting of 53,584 sq ft of new offices at Quantum 2, Vanwall Business Park, Maidenhead to Biogen Idec on a 15 year lease at an annual rent of £1.6 million.
- Pre-letting to Sainsbury's, conditional upon planning, of a 92,333 sq ft food superstore at the group's retail park at Bishop Auckland, County Durham.
- Final retail unit at Blyth Valley Retail Park let to Jolley's Pet Food (6,000 sq ft).

Disposals:

- Sale of Queens Wharf, Hammersmith for £30.75 million completed.
- Sale of both the private and affordable residential units at 129 Wilton Road, Victoria for £14.5 million completed.
- Sale agreement finalised with Sainsbury's on a five acre site in Helston, Cornwall, subject to Terrace Hill obtaining planning consent for a new 55,000 sq ft superstore.
- Sale of a 2,975 sq ft office unit at Aeropark, Farnborough, along with two acres of land to the Driving Standards Agency for £3.305 million.
- 8,000 sq ft office building forward sold to Sovereign Housing at Brabazon Business Park, North Bristol.

Quantum 2, Maidenhead



Mayflower Plaza, Southampton



Planning consents:

- Resolution to grant planning consent obtained, subject to a Section 106 Agreement, for Mayflower Plaza, a mixed use scheme on a 1.7 acre site in Southampton City Centre. The scheme will comprise 116,928 sq ft of office space, a 150 bedroom hotel and 180 residential apartments, which have already been pre-sold to Crest Nicholson.
- Consent granted for a 46,500 sq ft non-food retail development at Penrith in Cumbria.
- Detailed planning consent achieved for a 122,000 sq ft retail and leisure park on a 16.5 acre site at Gateway, Middlehaven on Teesside. Advanced negotiations are ongoing with a number of retailers, fast food operators and a hotel and public house operator.
- Increased detailed planning consent obtained at George Street, Croydon for a 260,000 sq ft headquarters office building.

As at 30 April 2008 our residential investment portfolio comprised 1,961 units and was valued at £291.9 million. 1,715 of these units comprise the former at.home Nationwide properties in which we acquired a 49% interest on 31 July 2006. To date we have disposed of 23% (509 units). The remaining units have been actively asset managed by us since acquisition and we have significantly improved performance. Of particular note is the performance of the 818 units located in London and the South East where occupancy levels have soared to a record 96%. Overall rental levels in the portfolio have increased by 7% since acquisition. We anticipate further increases in rental growth and occupancy levels as market conditions make it increasingly difficult for purchasers.

We are also reducing the costs of managing the properties and from 1 August 2008 we will be able to implement new management arrangements which we estimate will reduce costs by £2.9 million per annum.

The value of the residential portfolio has fallen by around 3.25% overall. There have been only modest falls in the value of properties in London, the South East and Scotland which represents 72% of the portfolio, where values have fallen by an average of 1.6%. The greatest falls have been in the West Midlands and North West, which represents 21% of the portfolio, where we have seen values fall by an average of 7.6%.

At Clansman Homes, our Scottish housebuilding division, we have seen some slowdown in the sales rate of completed properties. However, we continue to focus on affordable, suburban, family homes with no exposure to city centre apartment developments and, despite the more challenging environment, we remain confident that we can continue to generate sales. Currently, we have only seven finished units for sale and are taking a prudent approach to new starts which will lead to a slowdown in turnover and growth in the short-term. In the meantime, we are making good progress with planning applications for our existing landbank. We are confident of achieving planning consents this year for our sites at Fenwick, Patna, Carluke, Kilmarnock and Irvine which have the potential for 500 units in total and will be submitting a planning application shortly for the 63 acre site at Armadale, West Lothian for a mixed development of 500 units and a retail park. This will enable us to show rapid growth when market conditions improve with our existing landbank of over 1,400 units which is capable of producing an annual turnover of at least 200 units.

Financial Review

Basis of accounting

The key figures for the six months to 30 April 2008 are summarised in the financial highlights on page 1 of this report. The results for the group are prepared under International Financial Reporting Standards (IFRS) on a consistent basis with those included in the half-yearly report for 2007.

Triple net asset value (TNAV) and adjusted diluted net asset value (ADNAV)

In line with many publicly quoted property companies, we highlight both TNAV and ADNAV as the principal measures of the group's performance. The following adjustments are made to the net asset value figure in arriving at our ADNAV:

- (1) **Property revaluation:** properties and rights to properties held as current assets are revalued from cost (or realisable value if less) to market value. The valuation has been performed by relevant directors qualified as chartered surveyors based on advice from CB Richard Ellis and takes account of development costs to complete and whether or not the property has been let and/or sold.
- (2) **Share dilution:** the nominal value of shares to be issued under the employee long-term incentive plan is added to net assets.
- (3) **Taxation:** the amount of deferred tax provided in respect of investment properties is added to net assets.

The ADNAV per share at 30 April 2008 was 84.1 pence (31 October 2007: 96.3 pence) a decrease of 12.7%.

The following adjustments are made to ADNAV in arriving at TNAV:

- (4) **Taxation:** the amount of taxation estimated to be payable were all of the group's properties to be sold at the value used for the TNAV calculation has been deducted. This includes the deferred tax provided on investment properties and the taxation estimated to be payable on realisation of the uplift of trading properties to market value.
- (5) **Goodwill:** positive goodwill is excluded.

The TNAV per share at 30 April 2008 was 75.8 pence (31 October 2007: 83.7 pence) a decrease of 9.4%.

Income statement

Revenue in the period was £55.4 million (six months to 30 April 2007: £46.6 million) an increase of 18.9%.

Of particular note was the sale of a property in Hammersmith for £30.75 million that generated a profit in the period of £11.1 million.

Operating profit for the period was £10.2 million (six months to April 2007: £11.6 million) a decrease of 12.1% and the operating profit margin for the period was 18.4% (six months to April 2007: 24.9%).

Group overheads for the period were £4.8 million (six months to 30 April 2007: £7.2 million). The main reason for the difference between these figures is that in the current period the charges in respect of the share-based payment scheme and the bonus payments are lower than in the comparative period.

Our investment in joint venture and associated undertakings generated a loss of £4.8 million (six months to 30 April 2007: £2.2 million profit). This is primarily due to the results from Terrace Hill Residential PLC, the company that owns the at.home Nationwide residential portfolio of which our share is 49%. The figure of £4.8 million comprises our share of the loss on property revaluations of £4.8 million, a taxation credit of £2.7 million and a trading loss in the period of £2.7 million.

The tax charge for the period expressed as a percentage of profit before tax is high at 56%. However, the profit before tax has been reduced by the group's share of the net of tax loss arising from joint ventures and associated undertakings of £4.8 million. After adjusting for this amount the tax charge arising on the group's profits amounts to 28.6%.

Balance sheet

Total group assets were £278.5 million (31 October 2007: £274.3 million) an increase of 1.5%.

The net assets at the end of the period before deducting minority interests were £133.1 million (31 October 2007: £136.9 million) a decrease of 2.8%.

Gearing

Bank debt at the period end was £72.9 million (31 October 2007: £65.5 million) net of cash of £25.5 million (31 October 2007: £26.9 million) and gearing was 55% of equity (31 October 2007: 48%). The group had undrawn facilities of £37.5 million at the end of the period (31 October 2007: £37.7 million).

The loan to value gearing net of cash, in relation to the group's property portfolio held on balance sheet was 34%. Loan to value gearing including the group's share of joint ventures and associated undertakings where there is limited recourse to the group, was 56% (31 October 2007: 50%).

Interest rate risk is hedged for 78% of debt repayable after two years, including that in joint ventures and associated undertakings. In setting our hedging strategy we always seek a balance between retaining the flexibility to achieve an early disposal and ensuring adverse rate movements will not compromise the viability of a development.

Independent Review Report to Terrace Hill Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2008 which comprises the unaudited consolidated income statement, the unaudited consolidated statement of changes in equity, the unaudited consolidated balance sheet, the unaudited consolidated cash flow statement and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2008 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London
W1U 7EU
2 July 2008

Unaudited Consolidated Income Statement

for the six months ended 30 April 2008

	Unaudited six months to 30 April 2008 £'000	Audited year to 31 October 2007 £'000	Unaudited six months to 30 April 2007 £'000
Revenue	55,360	69,849	46,612
Direct costs	(40,102)	(49,142)	(28,900)
Gross profit	15,258	20,707	17,712
Administrative expenses	(4,749)	(9,587)	(7,239)
Profit on disposal of investment properties	132	404	206
(Loss)/gain on revaluation of investment properties	(440)	7,062	852
Operating profit	10,201	18,586	11,531
Finance income	853	1,447	413
Finance costs	(1,805)	(2,400)	(1,481)
Share of joint venture and associated undertakings post tax (loss)/profit	(4,803)	505	2,189
Profit before tax	4,446	18,138	12,652
Tax expenses	(2,650)	(3,577)	(749)
Profit for the period	1,796	14,561	11,903
Attributable to			
Equity holders of the parent	1,805	14,527	11,879
Minority interest	(9)	34	24
	1,796	14,561	11,903
Basic earnings per share	0.85p	7.33p	6.34p
Diluted earnings per share	0.84p	7.09p	6.15p

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 April 2008

	Share capital £'000	Share premium £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Unrealised gains and losses £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total £'000
Balance at 1 November 2006	3,744	19,369	—	849	8,386	—	67,930	100,278	314	100,592
Profit for the period	—	—	—	—	—	—	14,527	14,527	34	14,561
Total recognised income and expense for the period	—	—	—	—	—	—	14,527	14,527	34	14,561
Acquisition of minority interest	—	—	—	—	—	—	—	—	(42)	(42)
Share-based payment	—	—	—	—	—	—	1,494	1,494	—	1,494
Interim ordinary dividends	—	—	—	—	—	—	(1,696)	(1,696)	—	(1,696)
Final ordinary dividends	—	—	—	—	—	—	(2,059)	(2,059)	—	(2,059)
Issue of ordinary share capital	496	23,839	—	—	—	—	—	24,335	—	24,335
Balance at 31 October 2007	4,240	43,208	—	849	8,386	—	80,196	136,879	306	137,185
Profit for the period	—	—	—	—	—	—	1,805	1,805	(9)	1,796
Total recognised income and expense for the period	—	—	—	—	—	—	1,805	1,805	(9)	1,796
Acquisition of minority interest	—	—	—	—	—	—	—	—	(12)	(12)
Own shares	—	—	(507)	—	—	—	—	(507)	—	(507)
Share-based payment	—	—	—	—	—	—	(585)	(585)	—	(585)
Unrealised losses on available for sale investments	—	—	—	—	—	(1,737)	—	(1,737)	—	(1,737)
Final ordinary dividends	—	—	—	—	—	—	(2,788)	(2,788)	—	(2,788)
Balance at 30 April 2008	4,240	43,208	(507)	849	8,386	(1,737)	78,628	133,067	285	133,352

Unaudited Consolidated Balance Sheet

as at 30 April 2008

	Unaudited 30 April 2008 £'000	Audited 31 October 2007 £'000	Unaudited 30 April 2007 £'000
Non-current assets			
Investment properties	55,031	53,887	49,845
Property plant and equipment	606	594	585
Investments in equity – accounted associates and joint ventures	14,813	18,619	20,361
Available for sale investments	2,251	—	—
Other investments	131	147	97
Intangible assets	3,519	3,589	3,795
Deferred tax assets	388	661	128
	76,739	77,497	74,811
Current assets			
Property inventories	124,333	126,950	86,419
Trade and other receivables	51,938	42,888	44,277
Cash and cash equivalents	25,499	26,958	15,197
	201,770	196,796	145,893
Total assets	278,509	274,293	220,704
Non-current liabilities			
Bank loans	(57,147)	(64,339)	(68,330)
Other payables	(8,980)	(7,480)	(7,000)
Deferred tax liabilities	(2,182)	(1,863)	(230)
	(68,309)	(73,682)	(75,560)
Current liabilities			
Trade and other payables	(32,980)	(34,094)	(22,078)
Current tax liabilities	(2,581)	(1,190)	(2,567)
Bank overdrafts and loans	(41,287)	(28,142)	(9,465)
	(76,848)	(63,426)	(34,110)
Total liabilities	(145,157)	(137,108)	(109,670)
Net assets	133,352	137,185	111,034
Equity			
Called up share capital	4,240	4,240	3,744
Share premium account	43,208	43,208	19,369
Own shares	(507)	—	—
Capital redemption reserve	849	849	849
Merger reserve	8,386	8,386	8,386
Unrealised gains and losses	(1,737)	—	—
Retained earnings	78,628	80,196	78,391
Equity attributable to equity holders of the parent	133,067	136,879	110,739
Minority interests	285	306	295
Total equity	133,352	137,185	111,034

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 April 2008

	Unaudited six months to 30 April 2008 £'000	Audited year to 31 October 2007 £'000	Unaudited six months to 30 April 2007 £'000
Cash flows from operating activities			
Profit before taxation	4,446	18,138	12,652
Adjustments for:			
Finance revenue	(853)	(1,447)	(413)
Finance costs	1,805	2,400	1,481
Share of joint venture and associated undertakings post tax profit	4,803	(505)	(2,189)
Depreciation and impairment charge	176	598	247
Gain/(loss) on revaluation of investment properties	440	(7,062)	(852)
(Profit) on disposal of investment properties	(132)	(404)	(206)
Share based payment	(585)	1,494	—
Cash flows from operating activities before change in working capital	10,100	13,212	10,720
Decrease/(increase) in property inventories	10,755	(34,026)	1,042
Decrease in trade and other receivables	3,141	5,565	5,095
(Decrease) in trade and other payables	(23,510)	(6,466)	(10,855)
Cash generated from operations	486	(21,715)	6,002
Income from investments	7	41	37
Finance costs	(1,976)	(2,745)	(2,981)
Finance income	941	1,155	379
Tax paid	(700)	(3,174)	(475)
Net cash flows from operating activities	(1,242)	(26,438)	2,962
Investing activities			
Purchase of investment property	—	(4,491)	(4,012)
Sale of investment property	778	15,101	10,946
Purchase of investments	(3,996)	(100)	(77)
Sale of investments	—	1,207	1,197
Purchase of tangible fixed assets	(136)	(678)	(1,117)
Net cash flows from investing activities	(3,354)	11,039	6,937
Financing activities			
Borrowings drawn down	29,756	58,827	39,660
Borrowings repaid	(25,059)	(46,022)	(42,806)
Issue of ordinary share capital:			
– gross proceeds	—	25,001	—
– issue costs	—	(666)	—
Equity dividends paid	(2,788)	(3,755)	(2,059)
Net cash flows from financing activities	1,909	33,385	(5,205)
Net (decrease)/increase in cash and cash equivalents	(2,687)	17,986	4,694
Cash and cash equivalents at 1 November 2007	26,371	8,385	8,385
Cash and cash equivalents at 30 April 2008	23,684	26,371	13,079

Notes to the Half-Yearly Financial Statements for the six months ended 30 April 2008

1 Basis of preparation

The comparatives for the full year ended 31 October 2007 are not the groups full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 237(2)-(3) of the Companies Act 1985. The half-year financial report has been prepared using accounting policies set out in the full financial statements for the year ended 31 October 2007, which are consistent with IFRS and endorsed for use in the European Union.

2 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on a profit of £1,804,957 (31 October 2007: £14,527,222 and 30 April 2007: £11,879,159) and on 211,361,386 (31 October 2007: 198,069,224 and April 2006: 187,218,824) ordinary shares, being the weighted average number of shares in issue during the period.

The calculation of diluted earnings per ordinary share is based on a profit of £1,804,957 (31 October 2007: £14,527,222 and 30 April 2007: £11,879,159) and on 214,671,386 (31 October 2007: 204,787,224 and 30 April 2007: 193,088,035) ordinary shares, being the weighted average number of shares in issue during the period adjusted to allow for the issue of shares in relation to all performance related share awards.

Half-yearly report

The half-yearly report will be available, free of charge, from the Company Secretary, Terrace Hill Group PLC, James Sellars House, 144 West George Street, Glasgow G2 2HG.

Directors and Advisers

Directors

R F M Adair MA ACA CTA FGS (Chairman)
P A J Leech MRICS (Chief Executive)
T G Walsh B Comm FCA (Finance Director)
K M Hudson MA ACA (Non-executive Director)
W P Wyatt (Non-executive Director)
R W Dyson (Non-executive Director)

Secretary

M A Kelly LLB NP

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Registered auditors

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Incorporated and Registered in Scotland under
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