

Terrace Hill Group PLC

Interim Results

For the period ended 30 April 2009

Interim Results Presentation

Agenda

- | | | |
|---------------------|---|---|
| Introduction | : | Robert Adair
Executive Chairman |
| Financial Review | : | Jon Austen
Finance Director |
| Operational Review | : | Philip Leech
Chief Executive |
| Summary and Outlook | : | Robert Adair
Executive Chairman |

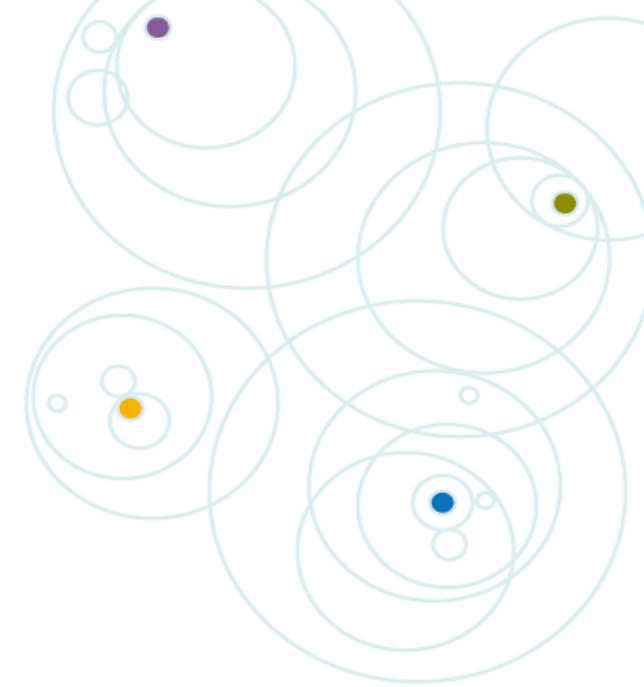


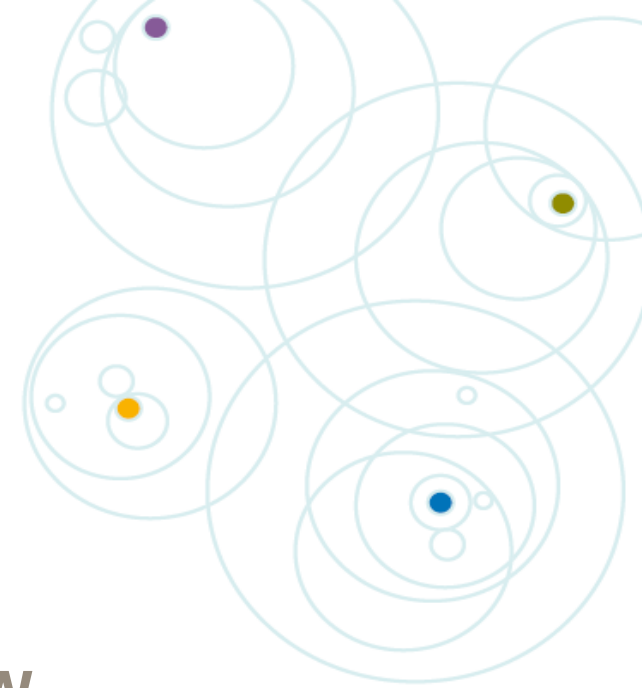
Introduction

- Terrace Hill Group PLC (THG) is a regionally based UK property development and investment group quoted on AIM.
- The group has offices in **London**, the **North East**, the **South West** and **Scotland**, offering national presence with local knowledge.
- THG manages a commercial development programme, commercial and residential investment portfolios and a Scottish housebuilding business.
- THG aims to provide shareholders with above average returns through its property skills and expertise and rigorous management of risk.

Overview

- Successful lettings, pre-lettings and pre-sold developments:
 - Sainsbury's
 - Primary Care Trust
 - AFEX
 - Equivalent to rate of £2.9 million p.a.
 - Capital Value £43.6 million
- Further food store and Government backed pre-let opportunities in progress.
- Significant capital available from new and established JV partners for new business.
- Substantial re-financing agreed £344 million.
- ADNAV – ↓ 23.5% to 44.4p per share.
(TNAV – ↓ 24.4% to 40.4 per share).
- Pre-tax loss - £30.8 million.
Adjusted pre-tax loss before property writedowns - £1.1 million.
- No interim dividend to conserve cash in short term.





FINANCIAL REVIEW

Financial Review

Results Highlights

	6 months to 30 April 2009	12 months to 31 October 2008	% Change
Adjusted Diluted Net Asset Value per share (ADNAV)	44.4p	58.0p	- 23.5%
Triple Net Asset Value per share (TNAV)	40.4p	53.4p	- 24.4%
Pre-tax Loss	£30.8m	£31.6m	
'Adjusted' pre-tax (loss)/profit (before property provisions)	£(1.1)m	£1.0m	
Balance Sheet Gearing ADNAV ¹	107.3%	69.1%	
Look through LTV ADNAV ²	74.2%	63.3%	
Final Dividend (p per share)	-	0.54p	
Total Dividend for the year	n/a	1.34p	

¹ Balance sheet net debt as percentage of adjusted net assets

² Balance sheet net debt plus share of off-balance sheet net debt as percentage of adjusted property values

Financial Review Continued

Highlights:

- £344 million of on and off balance sheet bank debt refinanced or terms agreed.
- Debt maturities extended; now 32 months average term to expiry.
- Capital available for new development from JV partners.
- Continuing focus on cost control and reduction.
- Overheads – head count reduced by 19% and salaries reduced by 10% for Directors and senior staff.

Financial Review Continued

All property – on Balance Sheet

Property Inventories:

- Continuing falls in value of commercial and housebuilding land and developments of £19.5 million, equivalent to 16.2% of opening value.
- Sign of falls in value abating.

Investment Properties:

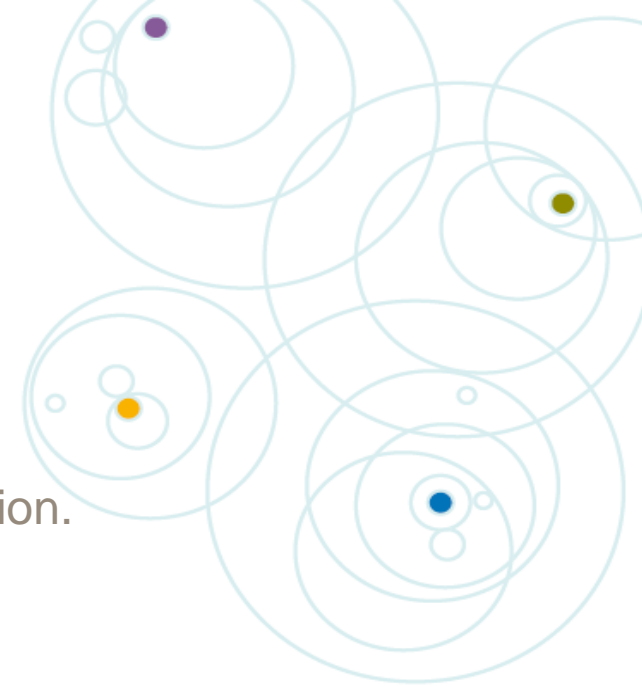
- Overall, investment property valuation falls over the period of approximately 6.9%, split 4.2% residential, 10.7% commercial.



Financial Review Continued

Associates and Joint Ventures

- Net investment in Associates and Joint Ventures £18.1 million.
- Risks to group contained through careful structuring.
- All debt is of limited recourse to group.
- Improved maturity profile through recent re-financings.



Financial Review Continued

Bank loans and overdrafts

- At 30 April 2009 £50.8 million due within one year.
- Terms agreed with majority of lenders regarding remaining renewals.
- Pro-forma after all current refinancing documented:
 - £15.1 million due with one year.
 - £92.3 million due after more than one year



Financial Review Continued

Bank loans and overdrafts continued

Group Debt	April 2009 <u>Pro-forma</u> <u>£ million</u>	<u>April 2009</u> <u>£ million</u>	<u>October 2008</u> <u>£ million</u>
Due within one year	15.1	50.8	63.0
Due within 1-2 years	19.8	22.7	10.3
Due after 2 years	72.5	33.9	30.6



Financial Review Continued

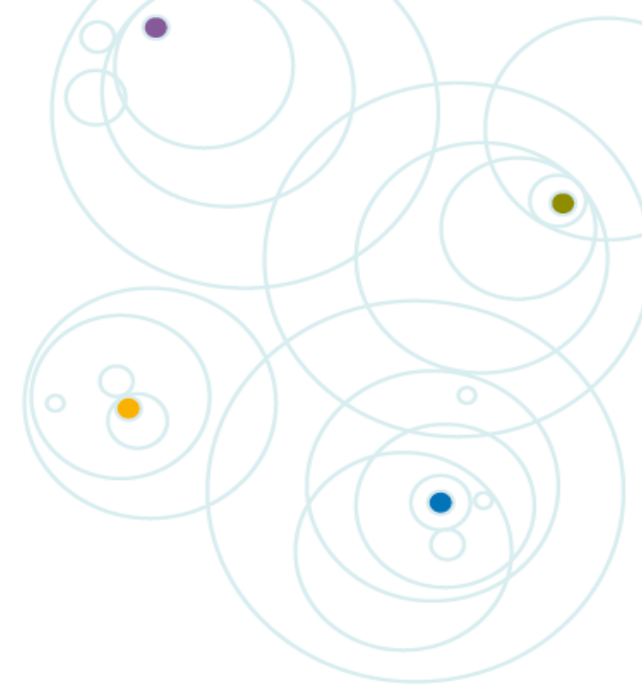
Bank loans and overdrafts continued

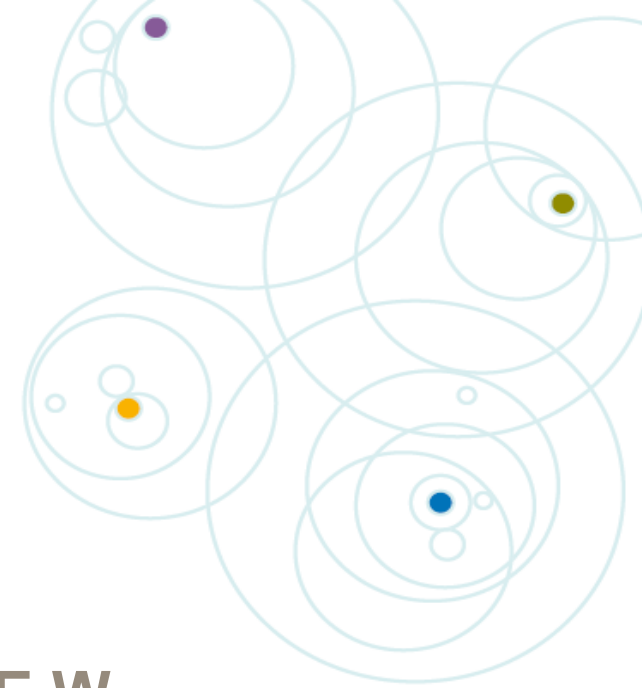
Associate & JVs	April 2009 <u>Pro-forma</u> <u>£ million</u>	<u>April 2009</u> <u>£ million</u>	<u>October 2008</u> <u>£ million</u>
Due within one year	47.2	226.7	231.1
Due within 1-2 years	79.8	118.8	104.8
Due after 2 years	226.9	8.4	8.6

Financial Review Continued

Cash Flow

- Group maintains 24 month rolling cash forecast.
- Group regularly runs scenarios to stress test the forecast.
- All significant development expenditure funded by committed bank facilities.





OPERATIONAL REVIEW

Operational Review

- **Commercial Property**

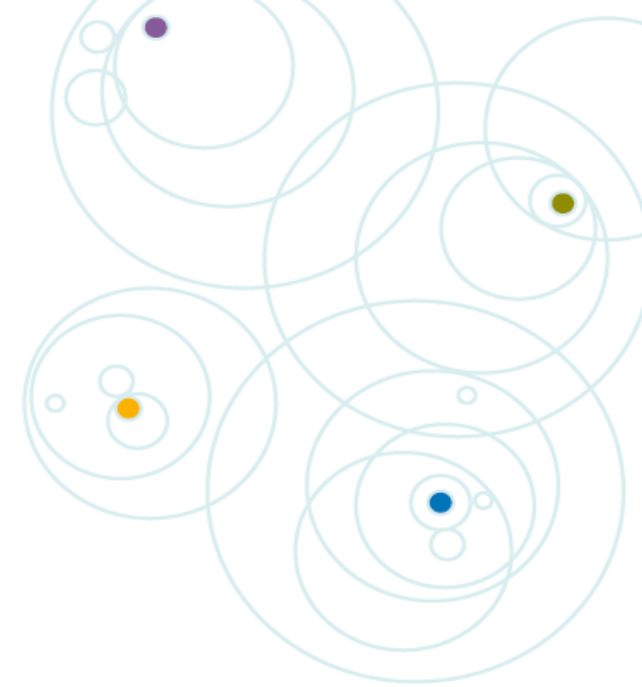
Focus on: Adding value to existing stock:

- Lettings - £518,817 p.a.
- Planning – 273,333 sq ft
- Asset Management

New profitable opportunities:

- Food store and Government pre-lets
- Annual rent £2.34 million

- More to come.



Operational Review Continued

Highlights – Food Stores

- **Bishop Auckland – Co Durham**
- Pre-letting of a 93,333 sq ft superstore to Sainsbury's on a 25-year lease with some rental fixed uplifts – £1.7 million p.a. (£18.00 psf).
- Detailed planning granted.

Helston – Cornwall

- Detailed planning consent granted for 55,750 sq ft food store.
- Binding agreement to sell site to Sainsbury's following expiry of judicial review period in August 2009.

Other sites

- Values holding steady and increasing interest from investors in well let food stores.
- Under consideration for food stores.
- Considerable in-house site finding and planning expertise.
- Strong relationships within food store retailers.



Operational Review Continued

Pre-let to Government Backed Tenant

- **Hudson Quay II – Middlehaven, Teesside**
- Pre-let 38,500 sq ft office building to Middlesbrough Primary Care Trust.
- 15 year term (no breaks) - £635,000 p.a. (£16.50psf).
- Fully financed – minimal capex.
- Start on site August 2009.



Operational Review Continued

Terrace Hill Development Partnership



- **Brabazon Office Park – North Bristol**
- 8,000 sq ft sold to Sovereign Housing - £1.8 million.

- **Brampton Business Park, Eastbourne**
- 7,907 sq ft let to Menzies - £59,317 p.a. (£7.50 psf).



Operational Review Continued

Central London - Letting

- **129 Wilton Road, Victoria**
- 8,100 sq ft, fifth floor let to AFEX
10 year term - £364,500 p.a. (£45.00 psf).
- 50% office accommodation now let.
- All retail let and residential sold.



Operational Review Continued

Asset Management

- **Canningford House, Bristol**
- Redevelopment opportunity, agreement from planners to increase density from 20,000 sq ft to 40,000 sq ft.
- Managed for vacant possession in 2013/14.
- New lettings - £95,000 p.a.



Operational Review Continued

Highlights – Planning



- **Howick Place, Victoria**
- Detailed planning for 135,000 sq ft offices, and 33 residential units.
- Joint venture with Doughty Hanson.

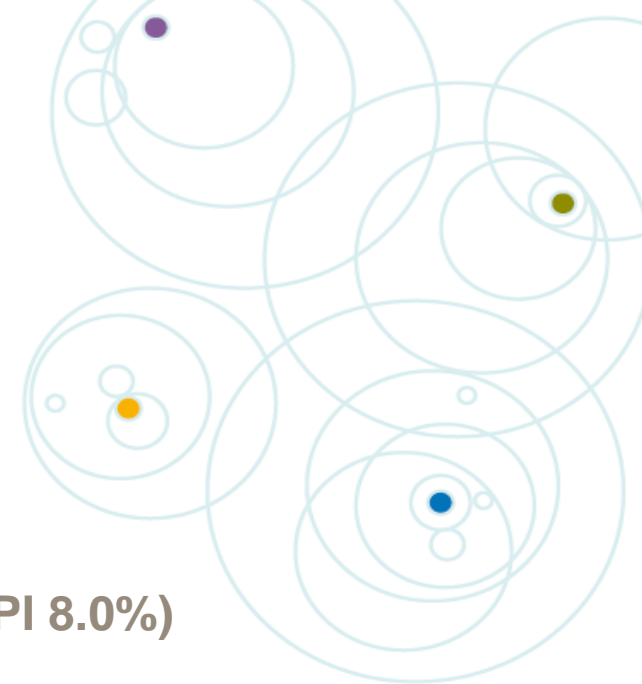


- **Baltic Business Quarter, Gateshead**
- Detailed planning consent for 45,000 sq ft Design Centre.
- Sponsored and to be funded by Gateshead Council and One North East.
- Part of 50 acre business park development, already home to Gateshead College and Open University.

Operational Review Continued

Residential Investment

- Portfolio under management : **1,957 units**
- Gross Value : **£260 million**
- Average value/unit : **£133,000**
- Fall in value : **6.1% (cf Halifax HPI 8.0%)**
- Occupancy levels remain high : **89.3%**
- Rental levels static.
- Value and location of units means should recover ahead of general market when conditions improve.
- Looking to make acquisitions towards end 2009/early 2010.



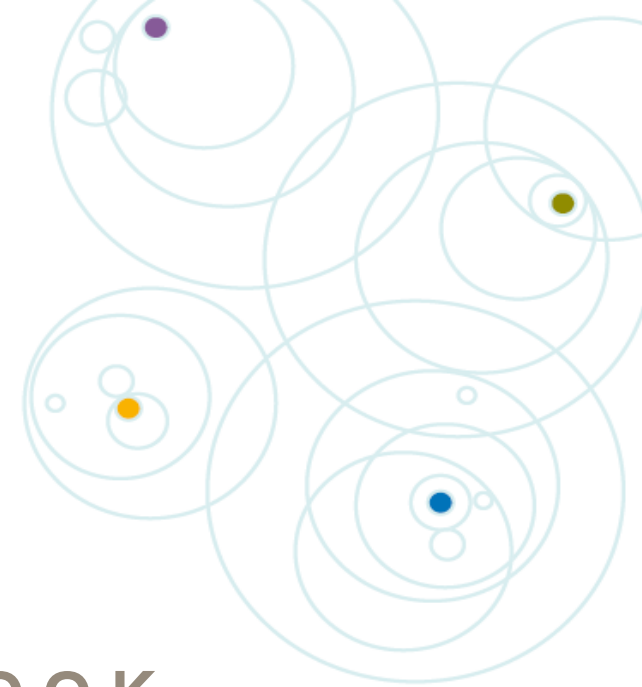
Operational Review Continued

Clansman Homes

- Ceased new builds except show homes and pre-sales.
- Concentrated on selling inventory stock and securing pre-sales.
- Planning consent obtained at Fenwick and Carnwath for 20 units.
- Expect planning at Kilmarnock and Carluke during 2009 (340 units).
- Submitted planning application for 500 units plus food store and neighbourhood centre at Armadale.
- Landbank capacity for 1,300 units+.
- Ability to rapidly accelerate turnover when market improves.



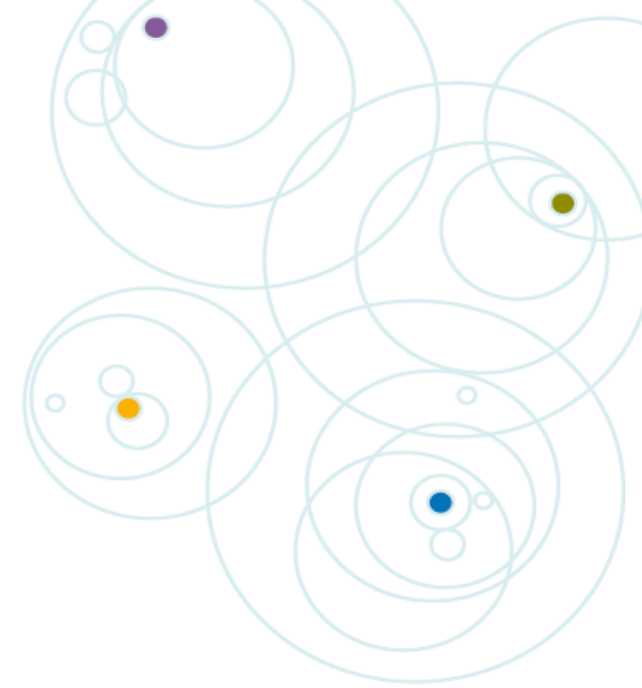
The Spey - typical house type



SUMMARY AND OUTLOOK

Summary and Outlook

- Successful re-financings and strong banking relationships.
- Pre-let developments to strong covenants - excellent returns/low risk.
- Opportunist approach to new business.
- Capital available from JV partners for range of new business ventures.
- Business being run efficiently and cost effectively.



THANK YOU