

TERRACE HILL GROUP PLC

FINANCIAL RESULTS

FOR THE YEAR ENDED 31 OCTOBER 2009

A yellow semi-circle logo is positioned in the bottom right corner of the page. The text "TERRACE HILL" is written in white, uppercase letters across the bottom edge of the semi-circle.

TERRACE HILL

FULL YEAR RESULTS PRESENTATION

AGENDA

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

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 aims to provide shareholders with above average returns through its property skills and expertise and rigorous management of risk.
- THG manages a commercial development programme, a commercial and residential investment portfolio and a residential strategic land bank.

OVERVIEW

- ADNAV and TNAV returned to growth in second half, and we look forward to further growth.
- Values risen since year end:
 - IPD +8.5% (to January 2010)
 - Halifax HPI +2.7% (to January 2010)
- Operating profit before property provisions increased, £4.1m in second half.
- High returns coming through from risk managed development.
 - foodstores and pre-let offices
- Successful re-financings – gearing will further enhance performance.
- Dedicated and experienced management.

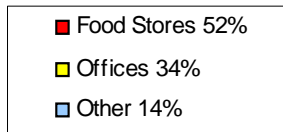
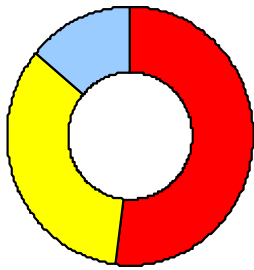
PROPERTY AND OPERATIONAL OVERVIEW

PROPERTY AND OPERATIONAL OVERVIEW

- **WHAT WE DO:**
 - Foodstore Development
 - Office Development:
 - Pre-lets
 - Areas of growth / recovery
 - Residential Investment
 - Strategic Land

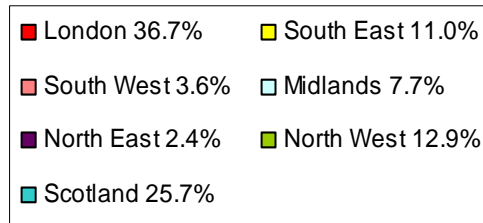
PROPERTY AND OPERATIONAL OVERVIEW

Current Commercial Development Portfolio Completed or due to start in next 12 months



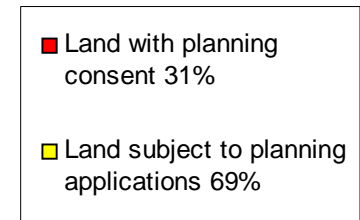
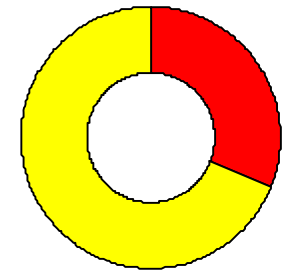
Total end value £250 million

Residential Investment Portfolio



1,962 units total value £264 million
THG look through share 55%

Strategic Land



Total acres 175, total units: 1,200
THG look through share 75%

FINANCIAL REVIEW

FINANCIAL REVIEW

RESULTS OVERVIEW

	12 months to 31 October 2009	6 months to 30 April 2009	12 months to 31 October 2008
Adjusted Diluted Net Asset Value (ADNAV) per share *	44.6p	44.4p	58.0p
Triple Net Asset Value (TNAV) per share *	40.8p	40.4p	53.4p
Pre-tax loss	£26.7m	£30.8m	£31.6m
'Adjusted' pre-tax profit/(loss) (before property provisions)	£2.6m	£(1.1)m	£1.0m
Balance Sheet Gearing ADNAV¹	103.4%	107.3%	69.1%
Look through LTV²	73.1%	74.2%	63.3%

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 including share of off-balance sheet assets

* As defined by EPRA

FINANCIAL REVIEW

HIGHLIGHTS

- Traded profitably in second half of year.
- £335.6 million of bank debt refinanced since October 2008, weighted average debt maturity of 31 months.
- Debt substantially non recourse.
- No loan defaults.
- Sharply increased appetite from banks for new lending – even for development.

FINANCIAL REVIEW

INVESTMENT PROPERTIES

- Falls in value in H1 of £3.4 million partly reversed with £1.3 million uplift in H2.

	H1	H2	Full year	Year end value
	£m	£m	£m	£m
Residential	(1.2)	0.8	(0.4)	28.2
Commercial	(2.2)	0.5	(1.7)	18.6
Total	(3.4)	1.3	(2.1)	46.8

- Kean House sold in November 2009 for £16.0 million, 2% ahead of April 2009 valuation and in line with October 2009 valuation.

FINANCIAL REVIEW

DEVELOPMENT PROPERTIES

- Falls in value in H1 of £19.5 million substantially reduced in H2 to £2.5 million.

	H1	H2	Full year	Balance sheet	Year end value ¹
	£m	£m	£m	£m	£m
Commercial	(15.7)	(2.5)	(18.2)	76.8	92.2
Strategic Land	(3.8)	-	(3.8)	24.9	26.2
Total	(19.5)	(2.5)	(22.0)	101.7	118.4

¹ Year end value reflects market value of assets at balance sheet date

FINANCIAL REVIEW

ASSOCIATES AND JOINT VENTURES

- Net investment £22.8 million.
- No new associates or joint ventures set up in the year.
- Downside protected by limited recourse nature of debt.
- Full provisions made against certain investments in 2008; upside potential.

FINANCIAL REVIEW

BANK LOANS

- Substantial re-financing of £335.6 million since October 2008.
- All debt that required re-financing has been agreed.
- Group debt:
 - £88.5 million re-financed
 - Average maturity now 24 months
- Joint venture and associates debt:
 - £247.1 million re-financed, including £208.8 million in Terrace Hill Residential PLC, our residential associate
 - Average maturity now 34 months

FINANCIAL REVIEW

CASH FLOW

- 24 month rolling cash forecast is an important management tool.
- Forecast is regularly stress tested.
- All significant development expenditure funded by committed bank facilities.

PROPERTY AND OPERATIONAL REVIEW

PROPERTY AND OPERATIONAL REVIEW

- **36 people in four offices each staffed by very experienced directors.**

- **Rob Lane:** Development director London and Home Counties: joined Terrace Hill 1993
Based London



- **Adam Pratt:** Development director Bristol and South West: joined Terrace Hill 1996
Based Bristol



- **Mandy Kelly:** Residential Investment director and Company Secretary: joined Terrace Hill 1996
Based Glasgow



- **Duncan McEwan:** Retail development director : joined Terrace Hill 2003
Based Teesside



- **Martin Vickerman:** Development director North East: joined Terrace Hill 2004
Based Teesside



This gives us expert knowledge of local markets.

PROPERTY AND OPERATIONAL REVIEW

- **In house project management:**

- **Eric Beaven:** Construction director joined Terrace Hill 1995, assisted by 4 project managers
Based London



Maximises value

Minimises risk

- **Financial structuring:**

- **Jon Austen:** Group finance director joined Terrace Hill 2008 assisted by group treasurer and team of accountants
Based London



- **Debt Structuring**

- **Joint Ventures:**

Maximises returns

Substantially reduces risk

Weight of money - now is the perfect time to create new JVs

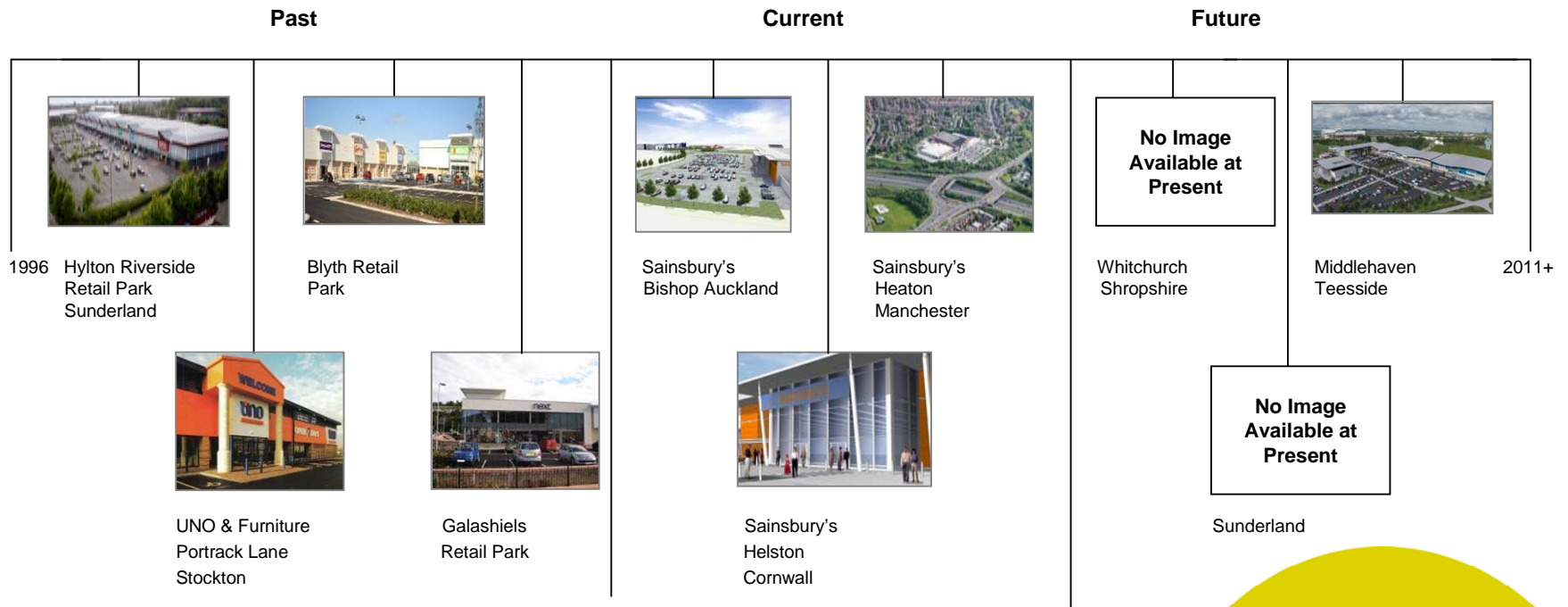
PROPERTY AND OPERATIONAL REVIEW

FOODSTORES

OVERVIEW

- Strong track record of out of town retail development

Out of town retail development, years of experience



PROPERTY AND OPERATIONAL REVIEW

- Experienced team across all offices.
- Regional offices give us special insight for:
 - Site finding
 - Planning
- Strong relationships with retailers:
 - Sainsbury's
 - Asda
 - Morrisons
 - Tesco

PROPERTY AND OPERATIONAL REVIEW

- **FOODSTORE DEVELOPMENT SITES:**
- **Typical profit margin on Gross Development Value : 20% -25%.**
- **Five committed sites: total Gross Development Value £130 million.**
 - Bishop Auckland, Co Durham
 - Heaton Park, Manchester
 - Middlehaven, Teesside
 - Whitchurch, Shropshire
 - Sunderland
- **Four site purchases under negotiation or in legals: total Gross Development Value £80 million.**
- **More sites under consideration.**

PROPERTY AND OPERATIONAL REVIEW

- **HELSTON, CORNWALL**
 - Purchased option over 5.25 acre site on edge of town
 - Detailed planning consent obtained June 2009
 - Site sold to Sainsbury's for £10.0 million August 2009
 - Profit £5.0m. Return on equity 1050%
- **BISHOP AUCKLAND, CO DURHAM**
 - 93,000 sq ft superstore pre-let to Sainsbury's for a 25 year term at an initial rent of £1.7 million p.a.
 - Forward funded by Aviva Investors Pensions Limited reflecting a net initial yield of 5.7%
 - All cap-ex funded by Aviva and part profit paid in advance
 - Projected total profit £7.0 million, (26% of GDV), 317% return on equity
 - Potential for additional petrol filling station and two fast-food units



PROPERTY AND OPERATIONAL REVIEW

- **HEATON PARK, MANCHESTER**

- Non food retail park adjacent to existing Sainsbury's store acquired in JV October 2009
- Negotiated vacant possession of retail units conditional upon planning for new Sainsbury's over combined sites
- Detailed planning due to be granted very shortly
- Site to be sold to Sainsbury's with benefit of planning consent



- **WHITCHURCH, SHROPSHIRE**

- Conditional contracts exchanged to acquire a 9 acre site for a 40,000 sq ft net sales food store
- Planning application to be submitted mid 2010
- Several retailers competing for pre-let

PROPERTY AND OPERATIONAL REVIEW

- **SUNDERLAND**

- Conditional contracts exchanged to acquire a 6 acre site in Sunderland for a 60,000 sq ft net sales area food store
- Terms agreed to pre-let to a food retailer
- Planning application to be submitted mid 2010

- **MIDDLEHAVEN, TEESSIDE**

- 16 acre site owned by THG with planning for 128,000 sq ft of non food retail and leisure
- Planners support change of use to food retail
- Advanced stage of negotiations with food retailer
- Planning application to be submitted mid 2010



PROPERTY AND OPERATIONAL REVIEW

OFFICES

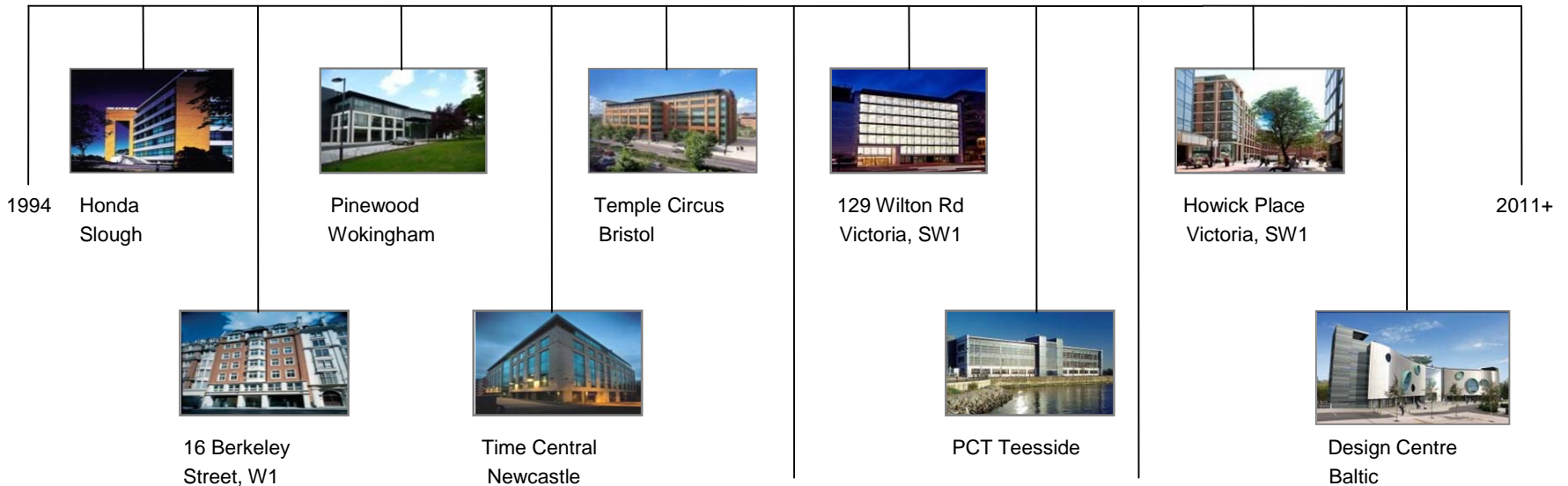
- Established track record with very experienced team across the UK.

Office development, consistent performance over 15+ years

Past

Current

Future



- Focus on pre-lets and areas of high growth / recovery.

PROPERTY AND OPERATIONAL REVIEW

VICTORIA

- Office rents in the City now increasing – expected to be followed by West End and sub markets
- Projected growth in office rents in Victoria 42% from end 2009 to end 2012 *(source: CB Richard Ellis Research Jan 2010)*
- Yields still contracting in West End
- **129 WILTON ROAD, VICTORIA, SW1**
 - 60,000 sq ft offices in a mixed use scheme
 - All residential and retail sold or let
 - 50% of office space let to EON and AFEX at rents of £45 psf to £70.80 psf
 - Strong interest in remaining space
 - THG 50% interest



PROPERTY AND OPERATIONAL REVIEW

- **HOWICK PLACE, VICTORIA, SW1**
 - Planning obtained for development of 135,000 sq ft of offices and 25,300 sq ft of residential in 2009
 - Finance secured for speculative development
 - Anticipated start mid 2010 to complete end 2012
 - Projected Gross Development Value £160 million
 - THG 6.0% interest, plus fees



PROPERTY AND OPERATIONAL REVIEW

PRE-LETS

- **MIDDLESBROUGH PRIMARY CARE TRUST, TEESSIDE**
 - Pre-let of 38,500 sq ft offices to M. PCT
 - 15 year lease (no breaks) - initial rent £635,000 p.a.
 - Completion expected end May 2010
 - Adjoining building developed and owned by THG and let to Crown Prosecution Service and Hertel
 - Likely sale of both mid 2010
 - THG 100% interest
- Three other major pre-lets in solicitors' hands in North East, North West and South West.
- Opportunity to work with banks on office sites and investments with short term income.



PROPERTY AND OPERATIONAL REVIEW

OFFICES – EXISTING PORTFOLIO

LETTINGS

- **QUANTUM 1, MAIDENHEAD**
 - 26,000 sq ft let to Compuware
- **BRAMPTON BUSINESS PARK, EASTBOURNE**
 - 14,500 sq ft let to Menzies and East Sussex Hospital Trust
- **BRABAZON BUSINESS PARK, FILTON, NORTH BRISTOL**
 - 3,000 sq ft to Merlin Claims
- **CANNINGFORD HOUSE, BRISTOL**
 - 13,000 sq ft to a variety of tenants



PROPERTY AND OPERATIONAL REVIEW

SALES

- **KEAN HOUSE, COVENT GARDEN, WC1**
 - In November 2009 for £16.0 million (N.I.Y 6.4%)
- **BRABAZON BUSINESS PARK, FILTON, NORTH BRISTOL**
 - Sale of 8,000 sq ft unit to Sovereign Housing



PROPERTY AND OPERATIONAL REVIEW

RESIDENTIAL INVESTMENT

- Occupancy levels currently at 93% (above long term average) and rents starting to rise.
- House price indices up since year end.
- Portfolio under management : 1,962 units
- Gross Value : £264 million
- Average value per unit : £135,000
- THG 55% interest.
- Continuing to look at strategic opportunities.
- Investigating the creation of a residential fund.

PROPERTY AND OPERATIONAL REVIEW

STRATEGIC LAND

- 175 acres of strategic land in central belt of Scotland and Ayrshire with potential for 1,200 units.
- Residential planning consent obtained for 374 units.
 - Carluke 1 – 71 units
 - Carluke 2 – 100 units
 - Shotts – 154 units
 - Fenwick – 20 units
 - Carnwath – 29 units
- Planning applications made on remaining sites including Armadale – midway between Glasgow and Edinburgh. Planning for 500 units expected mid 2010.
- Strategy to sell to or JV consented sites with house builders.
- THG 75% interest.

SUMMARY AND OUTLOOK

SUMMARY AND OUTLOOK

- Improved second half and, as mentioned, values continuing to rise (IPD +8.5%, Halifax HPI +2.7%, from October 2009 to January 2010).
- Substantial re-financings undertaken with extended maturities.
- Gearing will enhance performance, always carefully risk-managed.
- High returns from:
 - Foodstore development
 - Pre-let office development
- Geographic diversity and deep in-house expertise of local markets across UK.
- Focus on sectors with real prospects for value enhancement and growth.