

# TERRACE HILL GROUP PLC

## INTERIM RESULTS

For the period ended 30 April 2010



# INTRODUCTION

- Terrace Hill Group PLC (THG) is a regionally based UK property development and investment group quoted on AIM
- Headquartered in London, the group has national presence with local knowledge through its five UK offices
- THG has very experienced management and an enviable track record of over 20 years of profitable, risk managed commercial development
- THG's commercial activity is currently focused on pre-let foodstore and office development
- THG also manages and part owns a residential investment portfolio of 1,963 units across the UK

# HIGHLIGHTS

- ADNAV and TNAV continued to recover and increased by 2.9% and 2.4% respectively since 31 October 2009
- Gearing reduced to 91.3% from 103.4% at 31 October 2009
- Strong pipeline of foodstore developments expected to generate substantial returns
- Opened Manchester office
- Considerable up-side potential, operational strength, stable financing, share price discount

# FINANCIAL OVERVIEW

	6 months to 30 April 2010	12 months to 31 October 2009
Adjusted Diluted Net Asset Value (ADNAV) per share <sup>1</sup>	45.9p	44.6p
Triple Net Asset Value (TNAV) per share	41.8p	40.8p
Pre-tax profit/(loss)	£0.7m	£(26.7)m
Balance Sheet Gearing ADNAV <sup>2</sup>	91.3%	103.4%
Look through LTV <sup>3</sup>	70.8%	73.1%

<sup>1</sup> As defined by EPRA

<sup>2</sup> Balance sheet net debt as percentage of adjusted net assets

<sup>3</sup> Balance sheet net debt plus share of off-balance sheet net debt as percentage of adjusted property assets plus share of off-balance sheet assets

# FINANCIAL OVERVIEW

## BALANCE SHEET

	April '10 <u>£'m</u>	Oct '09 <u>£'m</u>
Investment properties	31.9	46.8
Investment in associates and joint ventures	22.1	22.8
Development properties	103.7	101.7
Other assets and liabilities	9.8	4.9
Cash	4.0	5.3
Bank loans	<u>(93.1)</u>	<u>(103.3)</u>
Net assets	<u>78.4</u>	<u>78.2</u>
Adjusted Net Asset Value	<u>£ 97.5m</u>	<u>£94.8m</u>
Adjusted Net Asset Value per share	45.9p	44.6p

# FINANCIAL OVERVIEW

## CONSTITUENTS OF ADNAV

	Property Assets	Other Assets/ Liabilities	ADNAV Adj	ADNAV	ADNAV Pence per share	% of ADNAV
On balance sheet	£m	£m	£m	£m		
Commercial	106.9	(68.7)	19.1	57.3	27.0	58.8%
Residential	28.7	(18.0)	-	10.7	5.0	11.0%
Total	135.6	(86.7)	19.1	68.0	32.0	69.7%
<b>Joint ventures</b>						
Commercial	2.7	2.1	-	4.8	2.3	4.9%
Residential	2.4	14.9	-	17.3	8.1	17.7%
Total	5.1	17.0	-	22.1	10.4	22.7%
<b>Other</b>	-	7.4	-	7.4	3.5	7.6%
<b>TOTAL</b>	<b>140.7</b>	<b>(62.3)</b>	<b>19.1</b>	<b>97.5</b>	<b>45.9</b>	<b>100.0%</b>

# PROPERTY REVIEW

## FOODSTORES

- Typical profit margin on Gross Development Value: 20%–25%
- Low risk – options and conditional contracts
- Five committed sites: total Gross Development Value c£130 million
- Four further site purchases under negotiation or in legals: total Gross Development Value c£80 million
- More sites under consideration
- Strong retailer relationships

# PROPERTY REVIEW

## FOODSTORE SITES

- **BISHOP AUCKLAND, CO DURHAM**
  - 93,000 sq ft superstore pre-let to Sainsbury's
  - Forward funded by Aviva Investors Pensions Limited
  - Under negotiation – additional petrol filling station, KFC, Travelodge, Public House, Costa Coffee drive through
- **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 granted March 2010
  - Site to be sold to Sainsbury's with benefit of planning consent



# PROPERTY REVIEW

- **WHITCHURCH, SHROPSHIRE**

- Conditional contract to acquire a site for a 60,000 sq ft foodstore
- Forward commitment to food retailer agreed, subject to planning
- Planning application to be submitted late 2010

- **SUNDERLAND**

- Conditional contract to acquire a site in Sunderland for a 98,000 sq ft foodstore
- Pre-let to a food retailer
- Planning application to be submitted late 2010

- **MIDDLEHAVEN, TEESSIDE**

- 16 acre site 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 late 2010



# OFFICES

## CENTRAL LONDON

- **129 WILTON ROAD, VICTORIA, SW1**
  - 98,000 sq ft offices and mixed use scheme
  - All residential and retail sold or let
  - 82% of office space let to EON, AFEX and IQPC at rents of £40 psf to £70.80 psf
  - Remaining floor under offer
  
- **HOWICK PLACE, VICTORIA, SW1**
  - Planning obtained for development of 135,000 sq ft of offices and 25,300 sq ft of residential
  - Finance secured for speculative development
  - Demolition started June 2010, development completion end 2012
  - Gross Development Value £160 million
  
- **Other central London opportunities under consideration**



- **MIDDLESBROUGH PRIMARY CARE TRUST, TEESSIDE**

- Development and letting completed of 38,500 sq ft offices to M. PCT
- 15 year lease (no breaks) - initial rent £635,000 p.a.
- Adjoining building developed and owned by THG and let to Crown Prosecution Service and Hertel
- Likely sale of both autumn 2010
- THG 100% interest

- **Other pre-lets in solicitors' hands**



# INDUSTRIAL

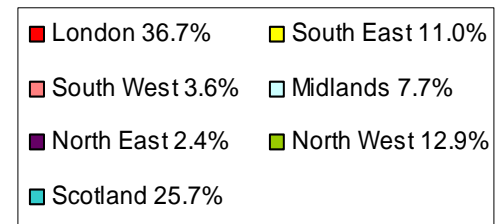
- **CHRISTCHURCH**
  - Planning consent for 105,000 sq ft industrial development
  - Forward sale of 50,000 sq ft unit in solicitor's hands
  - Detailed discussions with other occupiers



# PROPERTY REVIEW

## RESIDENTIAL INVESTMENT

- Portfolio under management : 1,963 units
- Gross Value : £269 million
- THG 55% interest – look through
- Rents starting to rise
- Fund creation in association with AEGON Asset Management well advanced



1,963 units total value £269 million

# FINANCIAL REVIEW

## BALANCE SHEET ANALYSIS

INVESTMENT PROPERTIES	April '10 <u>£'m</u>	Oct '09 <u>£'m</u>
Residential	28.7	28.2
Commercial	<u>3.2</u>	<u>18.6</u>
	<u>31.9</u>	<u>46.8</u>

- Since October '09, £16.0m commercial property sold
- 1.8% valuation increase in residential properties

# FINANCIAL REVIEW

## BALANCE SHEET ANALYSIS

### DEVELOPMENT PROPERTIES

	April '10		Oct '09	
	Book Value £'m	Mkt Value £'m	Book Value £'m	Mkt Value £'m
Development properties	<u>103.7</u>	<u>122.8</u>	<u>101.7</u>	<u>118.4</u>

- Valuation increase in commercial development properties largely explained by 12.5% increase at Wilton Road

# FINANCIAL REVIEW

## BALANCE SHEET ANALYSIS

## ASSOCIATES AND JOINT VENTURES

- Net investment £22.1 million at April 2010
- Downside protected by careful structuring and limited recourse nature of debt
- Full provisions made against certain investments in 2008; upside potential

# FINANCIAL REVIEW

## BALANCE SHEET ANALYSIS

### BANK DEBT

- **Group:**
  - on-balance sheet debt £93.1 million at April '10
  - average maturity 16 months
  - average margin 2.8%
  - gearing 91.3%
- **Off balance sheet:**
  - included within associates and joint ventures
  - £351.5 million at April '10
  - average maturity 26 months
  - average margin 2.6%
- No defaults
- Wide range of lending banks
- Banks keen to do new business

# SUMMARY AND OUTLOOK

- Return to growth – ADNAV / TNAV
- High returns from low risk development:-
  - Foodstore development
  - Offices - pre-lets and JVs with limited recourse
- Stable re-financing/extended maturities
- Gearing will enhance performance, always carefully risk-managed
- High potential upside for shareholders
  - Share price discount to ADNAV
  - Added value from development