



TERRACE HILL GROUP PLC

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 30 APRIL 2010

TERRACE HILL

ABOUT
US >

TERRACE HILL GROUP PLC
IS A REGIONALLY BASED UK **PROPERTY
DEVELOPMENT AND INVESTMENT GROUP**
QUOTED ON AIM. THE GROUP HAS FIVE OFFICES,
OFFERING NATIONAL PRESENCE WITH LOCAL
KNOWLEDGE.

OUR MISSION IS TO MAXIMISE SHAREHOLDER RETURNS
THROUGH CONSISTENT GROWTH IN UNDERLYING ASSET
VALUE BY USING:

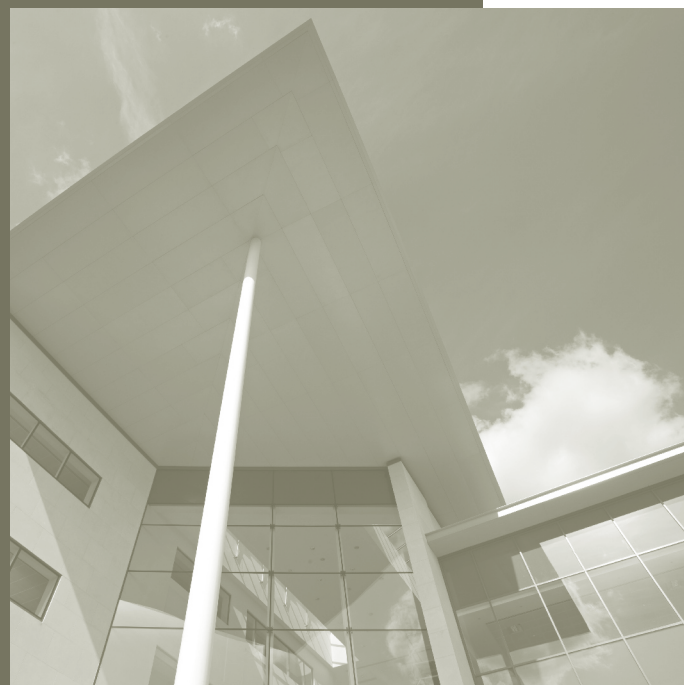
- Development skills
- Vigorous asset management
- Efficient and flexible financing
- A rigorous approach to controlling risk
- An entrepreneurial, professional and experienced team

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Financial >

- Adjusted diluted net asset value per share (EPRA) rose 2.9% to 45.9p (31 October 2009: 44.6p)
- Triple net asset value per share rose 2.4% to 41.8p (31 October 2009: 40.8p)
- Profit before tax of £0.7 million compared with a loss of £26.2 million for the year ended 31 October 2009
- Balance sheet gearing now well below 100% – 91.3% (31 October 2009: 103.4%)

Operational >

- The foodstore development programme continues to make significant progress with five committed sites at Bishop Auckland, Heaton Park in Manchester, Teesside, Whitchurch and Sunderland
- Office opened in Manchester in June 2010, extending the company's network to five offices
- Demolition of existing buildings commenced at Howick Place, Victoria ahead of the development of a 135,000 sq ft office scheme with residential space above
- Further lettings totalling 49,000 sq ft and providing £1.2 million of annualised income achieved at Wilton Road in Victoria, Bristol, Filton, and Eastbourne
- Kean House, Covent Garden, was sold for £16 million in November. Sales of Broadwater Park, Welwyn Garden City, a unit at Brampton Business Park, Eastbourne, and Brabazon Business Park, Bristol, were also completed after the period end
- Planning consent was secured at Christchurch, Bournemouth for 105,000 sq ft of light industrial, general industrial and warehousing space
- Marketing commenced in conjunction with Aegon Asset Management for a closed end residential investment fund to be seeded with Terrace Hill's properties



OUR FOCUS ON LOW RISK AND HIGHLY PROFITABLE COMMERCIAL DEVELOPMENTS GIVES ME THE CONFIDENCE TO PREDICT THAT WE WILL CONTINUE TO GROW AND ADD VALUE TO THE BUSINESS FOR THE BENEFIT OF OUR SHAREHOLDERS.

Summary of the chairman's statement >

- We are pushing hard to expand our foodstore development portfolio.
- Recently opened an office in Manchester bringing our total number of offices in the UK to five.
- Our net gearing has reduced to 91.3%.
- We have solid relationships with our lenders and I am very pleased with the huge progress we have made in re-financing facilities.

I am pleased to report our unaudited results for the half-year ended 30 April 2010, during which time we have seen continued growth in our adjusted diluted NAV ("ADNAV", as defined by EPRA) and further operational successes.

Our ADNAV increased 2.9% to 45.9 pence per share (31 October 2009: 44.6 pence per share) and our triple NAV ("TNAV") increased by 2.4% to 41.8 pence per share (31 October 2009: 40.8 pence per share) over the period. The TNAV takes account of any valuation movements above book value of assets held as trading stock as well as contingent tax on prospective gains and other fair value adjustments.

The group's profit before tax for the half year, stated after accounting for changes in the value of our investment properties and movements in the value of our trading stock, was £0.7 million, compared with a loss of £26.2 million for the year ended 31 October 2009. Our net gearing has reduced to 91.3%, compared with 103.4% at 31 October 2009. Loan to value ratios have also improved to 57.5%, compared with 59.4% at 31 October 2009, as a consequence of both improvements in values and reduction in debt.

Notwithstanding the modest increases in TNAV and ADNAV, the Board believes that a dividend should not be paid for the period. We will keep this policy under review and would wish to resume a progressive dividend policy when it is sensible to do so.

Within our commercial development division, we are pushing hard to expand our foodstore development portfolio and now have a substantial pipeline of opportunities including five committed deals and a number of others at earlier stages. These developments are typically highly profitable and low risk in nature. Our current ADNAV and TNAV only reflect a small portion of the anticipated profits from these deals. In office development, our focus is on the achievement of pre-lets and the central London area. We have successfully completed our office development on Teesside and handed it over to Middlesbrough Primary Care Trust. At Howick Place in Victoria we commenced demolition of the existing buildings prior to construction of our £160 million joint venture mixed use development.

We have also recently opened an office in Manchester, bringing our total number of offices in the UK to five. This follows from our belief that the best development opportunities are identified and accessed by local teams with intimate knowledge of those markets. Manchester and the North West region is an area which we believe has good potential for us and our initial focus will be to grow our foodstore development pipeline in this area.

Our residential investment portfolios increased in value by 1.8% in the six months to 30 April 2010 and we are intending to launch, with Aegon Asset Management, a closed end residential investment fund to be seeded with our properties.

Since reporting our October year end results in March this year, we have agreed terms to re-finance a further £40.6 million of joint venture and associated undertaking debt and £12.4 million of group debt. We have solid relationships with our lenders and I am very pleased with the huge progress we have made in re-financing facilities.

Outlook

Although there remains considerable economic uncertainty, our focus on low risk and highly profitable commercial developments gives me the confidence that we have re-commenced growth and expect to add considerable value to the business for the benefit of our shareholders. In addition, I am encouraged by the institutional interest in the residential investment sector which we very much hope will give us an opportunity to create a fund with recurring management income.

Robert F M Adair

Robert F M Adair

Chairman

29 June 2010

Summary of operations review >

- We are exploring the option to add further floor area to the Sainsbury's supermarket at Bishop Auckland.
- Completed conditional contracts to acquire sites at Whitchurch and Sunderland for foodstore development.
- Handed over Hudson Quay 2 to the tenant.
- Obtained planning consent for 105,000 sq ft of industrial space at Christchurch.

Commercial property

Since we last reported, we have seen prime property yields stabilise having risen significantly from the bottom of the market in early 2009, and IPD has reported further growth in capital values. This re-rating has benefited us where we have sold well-let completed developments and, in particular, there continues to be very strong investor demand for our foodstore investments.

We have recently opened an office in Manchester which is being led by Andy Lavin, a very experienced property executive with a long track record of successful development projects in the North West. This takes our total number of offices to five and reflects our strategy of sourcing the best opportunities locally. The North West is a very active region economically and our initial drive will be to grow our foodstore development pipeline in the area.

The operational highlights since October 2009 are as follows:

Foodstores

- Bishop Auckland – Construction commenced on the 93,300 sq ft pre-let Sainsbury's supermarket. Due to open for Christmas 2010, we are now exploring the option to add further floor area to the supermarket and a petrol filling station. Negotiations are also advanced with a hotel, public house and two drive-through fast food operators on adjacent land.
- Heaton Park, Manchester – Detailed planning consent was obtained in March 2010 to redevelop the park and the adjacent Sainsbury's into a new 135,000 sq ft supermarket.
- Whitchurch, Shropshire – We completed a conditional contract to acquire a site for a 60,000 sq ft foodstore development. Terms have subsequently been agreed with a food retailer.

- Sunderland – We completed a conditional contract to acquire a six acre site for a 98,000 sq ft foodstore development. A pre-let to a food retailer has been signed.

Offices and industrial

- Wilton Road, Victoria – A further 24,352 sq ft of office space was let, leaving only one floor of 8,100 sq ft available.
- Howick Place, Victoria – Detailed planning consent for our joint venture mixed use development comprising 135,000 sq ft of offices and 33 apartments was obtained. Demolition of the existing buildings has commenced.
- Teesside – Hudson Quay 2, a pre-let to Middlesborough Primary Care Trust of a 38,500 sq ft office building, was completed and handed over to the tenant.
- Further lettings totalling 25,000 sq ft and £0.2 million of income were achieved at Bristol, Filton, and Eastbourne.
- Covent Garden – Kean House was sold for £16 million.
- Christchurch – planning consent was obtained for 105,000 sq ft of industrial space.

Residential investment portfolio

The residential market has stabilised in the period with certain areas performing more strongly than others. At 30 April 2010, our residential investment portfolios comprised 1,963 units and were valued at £269 million (31 October 2009: £264 million). 1,713 of these units are held within the Terrace Hill Residential PLC joint venture, in which we hold a 49% stake. Overall, the value of the portfolios increased by 1.8% since 31 October 2009. Occupancy levels have improved since 31 October 2009 and are now 93.8% (31 October 2009: 91.9%), sitting above the group's long term average vacancy levels. We are now working with Aegon Asset

Management to set up a residential investment fund to be seeded initially with some of our properties. There has been positive feedback from institutional investors to our proposals and if the launch is successful it will contribute recurring fee income to the group.

Financial results and net asset value

The group's NAV increased by 0.3% in the period to £78.4 million (37.0 pence per share) from £78.2 million (36.9 pence per share) at 31 October 2009 and our ADNAV rose by 2.9% to £97.6 million (45.9 pence per share) from £94.8 million (44.6 pence per share) at 31 October 2009.

The increase in group NAV was principally caused by increases in the carrying value of our properties.

Our TNAV, which takes into account any tax payable on profits arising if all the group's properties were sold at the values used for our ADNAV, the write off of goodwill and fair value adjustments, increased by 2.6% to £88.9 million (41.8 pence per share) from the £86.8 million (40.8 pence per share) at 31 October 2009.

Our ADNAV and TNAV currently include three pence per share in respect of the committed foodstore development programme (31 October 2009: 3.0 pence per share).

Income statement

Revenue for the period includes the sale of our Welwyn Garden City site and part of our site at Farnborough, recognition of progress under the construction contract at Bishop Auckland and the sale of eight completed residential units.

In contrast to recent previous periods, the income statement also includes the write-back of £1.1 million of valuation write-downs to the carrying value of certain of our development properties, £1.5 million of valuation uplifts in our commercial investment properties and wholly owned residential investment properties and £2.3 million representing our share of valuation uplifts in Terrace Hill Residential PLC.

Administrative expenses were £2.6 million in the period under review (H1 2009: £3.1 million), reflecting continued tight control over these expenses. Net finance costs for the period of £0.9 million represent the cost of our group debt.

Our investment in joint ventures and associated undertakings generated a contribution in the period of £3.6 million (year to 31 October 2009: loss £5.6 million). This positive result is primarily due to the uplift in values within Terrace Hill Residential PLC of which our share is 49% together with our share of its pre-tax profit.

Balance sheet

The group's net assets at 30 April 2010 were £78.4 million, an increase of 0.3% on the amount as reported at 31 October 2009 of £78.2 million.

Financial resources and capital management

Our debt position as at 30 April 2010 is summarised in the table below.

The group's net debt position has improved since last October largely for the following reasons:

- Property sales (£20.5 million reduction);
- Expenditure at our Hudson Quay development (£3.2 million increase);
- Carrying costs of our commercial development sites (£4.3 million increase);
- General working capital less rental income (£2.4 million increase).

Summary of debt position

	April 2010	October 2009
Net debt	£89.1 million	£98.1 million
Net gearing	91.3%	103.4%
Net debt (including share of associate/JV debt)	£223.5 million	£235.3 million
Total net gearing	228.7%	248.2%
Loan to value	57.5%	59.4%
Loan to value (including share of associate/JV debt)	70.8%	73.1%

The net gearing and loan to value percentages are in relation to our adjusted NAV.

Summary of finance review >

- As we reported in March this year, we re-financed £88.5 million of group debt up to that date and we have since agreed terms on a further £12.4 million of group debt.
- The average maturity of group debt is now 16 months with a weighted average margin of 2.8%.
- The group believes that it has sufficient resources to execute its strategy for the foreseeable future.

Financial resources and capital management continued

The group continues to finance its projects with dedicated debt facilities where an individual project provides the security to the lender, ensuring the project and related debt are ring-fenced. A consequence of this strategy is that the group has a relatively large number of discrete bank facilities which are relatively short term. This gives flexibility to the group but means that at any one time there are likely to be some loans requiring renewal. As we reported in March this year, we re-financed £88.5 million of group debt up to that date and we have since agreed terms on a further £12.4 million of group debt.

The average maturity of group debt is now 16 months with a weighted average margin of 2.8%. We have also agreed terms on £40.6 million of joint venture and associated undertaking debt which we expect to document in the next few weeks. The average maturity of joint venture and associated undertaking debt is now 26 months and the weighted average margin is 2.6%.

At 30 April 2010, 33% of group debt was subject to hedging arrangements with an average rate of interest of 3.45%. The group has deliberately kept the percentage of debt subject to hedging arrangements low so that it can continue to take advantage of the current low interest rate environment. Interest rate exposure is actively managed by the group.

The group continues to monitor its cash resources closely, largely through its comprehensive rolling 24 month cash forecast. The group reviews the underlying assumptions supporting the cash forecast on a regular basis and believes that it has sufficient resources to execute its strategy for the foreseeable future.



Philip Leech
Chief executive



Jon Austen
Group finance director
29 June 2010

A summary of our average loan to value ratios for our on-balance sheet assets is set out below:

	April 2010	October 2009
Commercial property	54.4%	56.7%
Residential property	71.2%	72.4%
All property	57.5%	59.4%

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 April 2010 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 explanatory notes.

We have read the other information contained in the half-yearly 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 half-yearly 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 half-yearly report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM 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 AIM 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 2010 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
29 June 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

08 Terrace Hill Group plc **UNAUDITED CONSOLIDATED INCOME STATEMENT >**

Half-yearly report for the six months to 30 April 2010

FOR THE SIX MONTHS ENDED 30 APRIL 2010

	Notes	Unaudited six months to 30 April 2010 £'000	Restated audited year to 31 October 2009 £'000	Restated unaudited six months to 30 April 2009 £'000
Revenue		9,220	29,065	5,946
Direct costs		(10,062)	(41,584)	(23,372)
Gross loss		(842)	(12,519)	(17,426)
Administrative expenses		(2,604)	(5,174)	(3,109)
Profit on disposal of investment properties		47	—	—
Profit/(loss) on revaluation of investment properties		1,488	(2,141)	(3,376)
Operating loss		(1,911)	(19,834)	(23,911)
Finance income		312	1,202	1,158
Finance costs		(1,253)	(1,925)	521
Share of joint venture and associated undertakings post tax profit/(loss)		3,514	(5,625)	(8,082)
Profit/(loss) before tax		662	(26,182)	(30,314)
Tax		(464)	3,135	4,763
Profit/(loss) for the period/total comprehensive income relating to the period		198	(23,047)	(25,551)
Attributable to:				
Equity holders of the parent		202	(23,019)	(25,532)
Minority interest		(4)	(28)	(19)
		198	(23,047)	(25,551)
Basic earnings per share	2	0.10p	(10.91)p	(12.05)p
Diluted earnings per share	2	0.10p	(10.91)p	(12.05)p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY >

FOR THE SIX MONTHS ENDED 30 APRIL 2010

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Terrace Hill
Group plc

Half-yearly report
for the six months
to 30 April 2010

	Share capital £'000	Share premium £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total £'000
Balance at 1 November 2008	4,240	43,208	(609)	849	7,088	48,271	103,047	258	103,305
Total comprehensive income and expense for the period	—	—	—	—	—	(23,019)	(23,019)	(28)	(23,047)
Share-based payment	—	—	—	—	—	(718)	(718)	—	(718)
Final ordinary dividends	—	—	—	—	—	(1,154)	(1,154)	—	(1,154)
Balance at 31 October 2009	4,240	43,208	(609)	849	7,088	23,380	78,156	230	78,386
Total comprehensive income and expense for the period	—	—	—	—	—	202	202	(4)	198
Acquisition of minority interest	—	—	—	—	—	—	—	(226)	(226)
Share-based payment	—	—	—	—	—	66	66	—	66
Balance at 30 April 2010	4,240	43,208	(609)	849	7,088	23,648	78,424	—	78,424

10 Terrace Hill Group plc **UNAUDITED CONSOLIDATED BALANCE SHEET >**

Half-yearly report for the six months to 30 April 2010

AS AT 30 APRIL 2010

	Notes	Unaudited 30 April 2010 €'000	Audited 31 October 2009 €'000	Unaudited 30 April 2009 €'000
Non-current assets				
Investment properties	4	31,942	46,758	45,789
Property plant and equipment		271	350	511
Investments in equity accounted associates and joint ventures	5	5,014	2,846	2,710
Other investments		146	147	133
Intangible assets		3,278	3,336	3,393
Deferred tax assets		7,143	7,439	8,429
		47,794	60,876	60,965
Current assets				
Property inventories	6	103,740	101,719	103,877
Trade and other receivables	7	34,252	36,331	26,940
Cash and cash equivalents		4,006	5,290	6,336
		141,998	143,340	137,153
Total assets		189,792	204,216	198,118
Non-current liabilities				
Bank loans	8	(69,449)	(91,678)	(56,589)
Other payables		(3,000)	(3,370)	(3,370)
Deferred tax liabilities		—	(73)	—
		(72,449)	(95,121)	(59,959)
Current liabilities				
Trade and other payables		(13,942)	(17,862)	(10,945)
Current tax liabilities		(1,343)	(1,176)	(611)
Bank overdrafts and loans	8	(23,634)	(11,671)	(50,793)
		(38,919)	(30,709)	(62,349)
Total liabilities		(111,368)	(125,830)	(122,308)
Net assets		78,424	78,386	75,810
Equity				
Called up share capital		4,240	4,240	4,240
Share premium account		43,208	43,208	43,208
Own shares		(609)	(609)	(609)
Capital redemption reserve		849	849	849
Merger reserve		7,088	7,088	7,088
Retained earnings		23,648	23,380	20,795
Equity attributable to equity holders of the parent		78,424	78,156	75,571
Minority interests		—	230	239
Total equity		78,424	78,386	75,810

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT >

FOR THE SIX MONTHS ENDED 30 APRIL 2010

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Terrace Hill
Group plc

Half-yearly report
for the six months
to 30 April 2010

	Unaudited six months to 30 April 2010 £'000	Restated audited year to 31 October 2009 £'000	Restated unaudited six months to 30 April 2009 £'000
Cash flows from operating activities			
Profit/(loss) before taxation	662	(26,182)	(30,314)
Adjustments for:			
Finance revenue	(312)	(1,202)	(1,158)
Finance costs	1,253	1,925	(521)
Share of joint venture and associated undertakings post tax (profit)/loss	(3,514)	5,625	8,082
Depreciation and impairment (credit)/charge	(984)	22,813	19,984
(Gain)/loss on revaluation of investment properties	(1,488)	2,141	3,376
Profit on disposal of investment properties	(47)	—	—
Loss on disposal of tangible fixed assets	7	26	9
Share-based payment charge/(credit)	66	(718)	(789)
Cash flows from operating activities before change in working capital	(4,357)	4,428	(1,331)
Increase in property inventories	(741)	(2,054)	(2,730)
Decrease/(increase) in trade and other receivables	4,834	(11,101)	(2,115)
Decrease in trade and other payables	(5,476)	(2,389)	(7,076)
Cash absorbed by operations	(5,740)	(11,116)	(13,252)
Income from investments	—	1	—
Finance costs	(1,765)	(1,669)	(1,986)
Finance income	236	577	333
Tax received	—	338	338
Net cash flows from operating activities	(7,269)	(11,869)	(14,567)
Investing activities			
Purchase of investment property	(50)	(4)	—
Sale of investment property and tangible fixed assets	16,402	289	5
Sale of investments	8	448	447
Purchase of property, plant and equipment	(8)	(16)	(38)
Net cash flows from investing activities	16,352	717	414
Financing activities			
Borrowings drawn down	3,508	35,084	33,968
Borrowings repaid	(14,115)	(28,982)	(26,840)
Equity dividends paid	—	(1,154)	(1,155)
Net cash flows from financing activities	(10,607)	4,948	5,973
Net decrease in cash and cash equivalents	(1,524)	(6,204)	(8,180)
Cash and cash equivalents at 1 November 2009	5,290	11,494	11,494
Cash and cash equivalents at 30 April 2010	3,766	5,290	3,314

1 Accounting policies

Basis of preparation

The financial information in this half-yearly report does not constitute the full statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The statutory accounts of Terrace Hill Group PLC for the year ended 31 October 2009 have been reported on by the company's auditors and have been delivered to the Registrar of Companies. The auditors' report was unqualified, did not include a reference to matters which the auditors drew attention by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The half-yearly report has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union using accounting policies that are expected to be applied for the financial year ended 31 October 2010.

IAS 1 (revised 2007) – Presentation of Financial Statements: The revised standard has proposed a number of terminology changes (including revised titles for the primary statements and minority interest) and has resulted in the following change in presentation and disclosure: other recognised gains and losses previously recognised in the statement of changes in equity are now included in the income statement as part of the total comprehensive income for the period. The effect on the reported results of the previous period is to decrease the loss by £0.5 million. It has no effect on reported net asset values.

The group has not chosen to adopt the optional changes to the headings of the income statement, balance sheet and cash flow statement.

Going concern

The directors are required to make an assessment of the group's ability to continue to trade as a going concern. The directors have given this matter due consideration and have concluded that it is appropriate to prepare the group financial statements on a going concern basis.

The group maintains a rolling 24 month cash forecast that takes account of all known inflows and outflows. The cash flow includes estimates of a number of key variables including the assumed dates and amounts relating to property disposals and amounts that may be required to reduce indebtedness as a consequence of falling property values and re-financing. The cash flow is regularly stress tested to ensure that the group can withstand reasonable changes in circumstances that could adversely affect its cash flow. The key potential changes that the group has considered include the possible falls in value of the portfolio which could result in margin calls or increased funding costs if future loan to value covenants were breached and possible delays in the timing and reductions in proceeds from sales. The group has £23.6 million of debt facilities due to be re-financed over the next 12 months. In the normal course of business, developments will be completed and disposed of so the actual requirement to renew facilities is expected to be lower than this. The group has already agreed terms of £12.4 million of this debt. After considering the potential cash flow sensitivities the group believes that it has sufficient resources to continue trading for the foreseeable future.

2 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on a profit of £202,000 (31 October 2009: loss of £23,019,000 and 30 April 2009: loss of £25,532,000) and on 210,951,299 ordinary shares, being the weighted average number of shares in issue during the period (31 October 2009 and 30 April 2009: 210,951,299).

For April 2010 the calculation of diluted earnings per ordinary share is based on a profit of £202,000 and on 211,545,358 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 performance related share awards. The calculation of diluted earnings per ordinary share for the period to October 2009 and April 2009 is the same as the calculation of the basic earnings per ordinary share.

3 Analysis of operating divisions

The group operates in two principal divisions being commercial property development and residential property investment. The group does not operate outside the UK.

Balance sheet	Commercial	Residential	Unallocated	Total	Commercial	Residential	Unallocated	Total
	2010 £'000	2010 £'000	items 2010 £'000	2010 £'000	2009 £'000	2009 £'000	items 2009 £'000	2009 £'000
Investment properties	3,250	28,692	—	31,942	18,571	28,187	—	46,758
Property, plant and equipment	13	—	258	271	29	—	321	350
Investments – associates and joint ventures	2,658	2,356	—	5,014	2,699	147	—	2,846
Other investments	44	3	99	146	45	3	99	147
Goodwill	2,308	970	—	3,278	2,476	860	—	3,336
Deferred tax assets	—	—	7,143	7,143	—	—	7,439	7,439
	8,273	32,021	7,500	47,794	23,820	29,197	7,859	60,876
Development properties	103,740	—	—	103,740	101,719	—	—	101,719
Trade and other receivables	16,869	15,221	2,162	34,252	21,877	13,833	621	36,331
Cash	3,963	43	—	4,006	5,241	49	—	5,290
	124,572	15,264	2,162	141,998	128,837	13,882	621	143,340
Borrowings	(72,530)	(20,418)	(135)	(93,083)	(82,948)	(20,401)	—	(103,349)
Trade and other payables	(15,773)	(383)	(786)	(16,942)	(20,175)	(575)	(482)	(21,232)
Current tax	—	—	(1,343)	(1,343)	—	—	(1,176)	(1,176)
Deferred tax liabilities	—	—	—	—	—	—	(73)	(73)
	(88,303)	(20,801)	(2,264)	(111,368)	(103,123)	(20,976)	(1,731)	(125,830)
Net assets	44,542	26,484	7,398	78,424	49,534	22,103	6,749	78,386

4 Investment properties

	£'000
Valuation	
At 1 November 2008	49,160
Additions	4
Disposals	(265)
Loss on revaluation	(2,141)
At 31 October 2009	46,758
Additions	50
Disposals	(16,354)
Gain on revaluation	1,488
At 30 April 2010	31,942

The investment properties situated in Scotland owned by the group have been valued as at 30 April 2010 by qualified valuers from Allied Surveyors, an independent firm of Chartered Surveyors, on the basis of open market value. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

The commercial investment properties situated in England owned by the group have been valued as at 30 April 2010 by qualified valuers from CB Richard Ellis, an independent firm of Chartered Surveyors, on the basis of open market value. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

Residential investment properties situated in England owned by the group have been valued as at 30 April 2010 by suitably qualified valuers from Allsops LLP, an independent firm of chartered surveyors, on the basis of open market value. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

5 Investments**Associates and joint ventures**

	Associates £'000	Joint venture £'000	Total £'000
Cost or valuation			
At 1 November 2008	6,375	770	7,145
Disposals	(6)	—	(6)
Transfer to other investments	(14)	—	(14)
Share of results	(5,553)	(72)	(5,625)
Share of results for period applied against long-term receivables forming part of net investment	1,346	—	1,346
At 31 October 2009	2,148	698	2,846
Reversal of amounts applied against long-term receivables forming part of net investment	(1,346)	—	(1,346)
Share of results	3,556	(42)	3,514
At 30 April 2010	4,358	656	5,014

5 Investments continued

The group's interest in its principal associates which have been equity accounted in the consolidated financial statements were as follows:

Terrace Hill Residential PLC	49%	Property investment
Castlegate House Partnership	30%	Property development
Devcap 2 Partnership	26%	Property development
Terrace Hill Development Partnership	20%	Property development
Two Orchards Limited	20%	Property development

Terrace Hill Residential PLC is incorporated in Scotland.

Summarised information 2010

	Terrace Hill Development Partnership £'000	Devcap 2 Partnership £'000	Castlegate House Partnership £'000	Terrace Hill Residential PLC £'000	Two Orchards Limited £'000	Total £'000
Revenue	2,672	1,144	316	6,573	—	10,705
(Loss)/profit after taxation	(523)	(1,406)	51	7,257	(3,012)	2,362
Total assets	39,698	40,072	9,479	245,945	60,230	395,424
Bank debt	(23,739)	(40,545)	(8,568)	(205,628)	(76,991)	(355,471)
Other liabilities	(7,549)	(3,441)	(2,292)	(35,507)	(5,081)	(53,870)
Total liabilities	(31,288)	(43,986)	(10,860)	(241,135)	(82,072)	(409,341)
Net assets/(liabilities)	8,410	(3,914)	(1,381)	4,810	(21,842)	(13,917)
Opening carrying amount of interest under equity method	2,000	—	—	147	1	2,148
Share of results for period	—	—	—	3,556	—	3,556
Reversal of amounts applied against long-term receivables forming part of net investment	—	—	—	(1,346)	—	(1,346)
Closing carrying amount of interest under equity method	2,000	—	—	2,357	1	4,358
Capital commitments	—	—	—	—	568	568

5 Investments continued
Summarised information 2009

	Terrace Hill Development Partnership £'000	Devcap 2 Partnership £'000	Castlegate House Partnership £'000	Terrace Hill Residential PLC £'000	Two Orchards Limited £'000	Howick Place £'000	Total £'000
Revenue	5,304	1,824	605	12,515	—	—	20,248
(Loss)/profit after taxation	(1,023)	(8,765)	83	(10,484)	(18,840)	—	(39,029)
Total assets	39,981	40,127	9,480	236,888	59,982	—	386,458
Bank debt	(25,009)	(40,291)	(8,568)	(206,363)	(73,652)	—	(353,883)
Other liabilities	(6,034)	(2,344)	(2,344)	(32,972)	(5,160)	—	(48,854)
Total liabilities	(31,043)	(42,635)	(10,912)	(239,335)	(78,812)	—	(402,737)
Net assets/(liabilities)	8,938	(2,508)	(1,432)	(2,447)	(18,830)	—	(16,279)
Opening carrying amount of interest under equity method	2,416	—	—	3,938	1	20	6,375
Disposals	—	—	—	—	—	(6)	(6)
Transfer to other investments	—	—	—	—	—	(14)	(14)
Share of results for period	(416)	—	—	(5,137)	—	—	(5,553)
Share of results for period applied against long-term receivables forming part of net investment	—	—	—	1,346	—	—	1,346
Closing carrying amount of interest under equity method	2,000	—	—	147	1	—	2,148
Capital commitments	—	—	—	—	630	—	630

The group's interest in its joint venture which has been equity accounted in the consolidated financial statements was as follows:

Achadonn Limited	50%	Property development
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5 Investments continued

	2010 Achadonn Limited £'000	2009 Achadonn Limited £'000
Revenue	60	157
Loss	(84)	(143)
Total assets	14,513	14,337
Bank debt	(8,110)	(8,110)
Other liabilities	(5,091)	(4,831)
Total liabilities	(13,201)	(12,941)
Net assets	1,312	1,396
Share of results for the period	(42)	(72)
Share of net assets	656	698

6 Property inventories

	£'000
At 1 November 2008	120,488
Additions	17,116
Disposals	(13,852)
Amounts written off the value of inventories	(22,033)
At 31 October 2009	101,719
Additions	4,777
Disposals	(3,877)
Amounts written back	1,121
At 30 April 2010	103,740

Included in property inventories is capitalised interest of £10,063,000 (2009: £9,536,000).

7 Trade and other receivables

	2010 €'000	2009 €'000
Trade receivables	1,410	801
Other receivables	9,478	9,608
Trade and other receivables	10,888	10,409
Amounts recoverable under construction contracts	—	8,000
Prepayments and accrued income	6,274	2,289
Amounts due from associates and joint ventures	27,380	25,867
Share of results of associates for the period applied against long-term receivables	—	(1,346)
Provision for amounts due from associates and joint ventures	(10,290)	(8,888)
	34,252	36,331

Included in other receivables is a balance of £3.5 million that has a final maturity date of 31 December 2014.

The movement in the allowance for impairment in respect of amounts due from associates and joint ventures during the year was as follows:

	2010 €'000	2009 €'000
At 1 November 2009	10,234	7,776
Reversal of amounts applied against long-term receivables	(1,346)	—
Increase in allowance on amounts due from associates	1,402	2,458
At 30 April 2010	10,290	10,234

The allowance is based on falling asset values in the associates.

8 Bank overdrafts and loans

	2010 €'000	2009 €'000
Bank loans	93,136	103,744
Bank overdrafts	240	—
	93,376	103,744
Unamortised loan issue costs	(293)	(395)
	93,083	103,349
Amounts due:		
Within one year	23,634	11,671
After more than one year	69,449	91,678
	93,083	103,349

Half-yearly report

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

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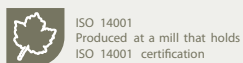
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