Terrace Hill Group PLC
Annual Report and Accounts 2008

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 commercial development programme, commercial and residential investment portfolios and a Scottish housebuilding business.

Business review

Corporate governance

Independent auditors' report

Accounts

Shareholder information

Highlights

53.4p
Triple net asset value per share

£72.4m
Sales completed or contracted since 31 October 2007

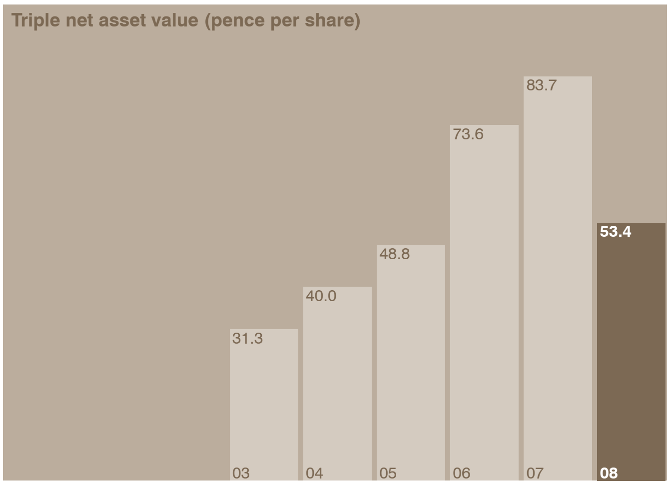
0.54p
Final dividend per share

£5.7m
Annual rent roll contracted since 31 October 2007

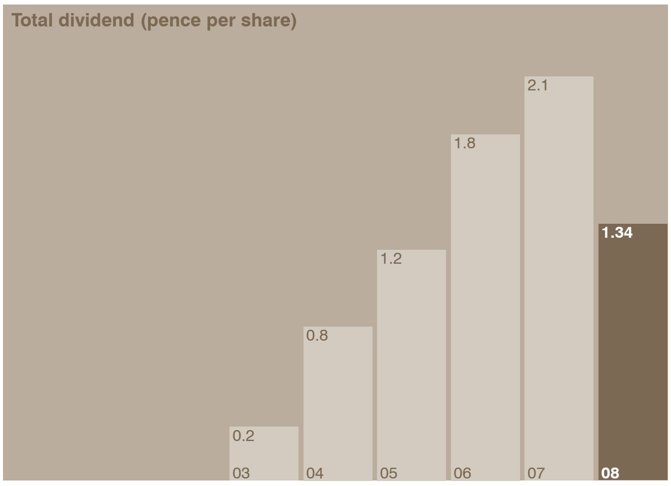
£108.2m
Total bank facilities re-financed since 31 October 2007

882,155sq ft
Detailed planning consents granted since 31 October 2007

Triple net asset value (pence per share)



Total dividend (pence per share)

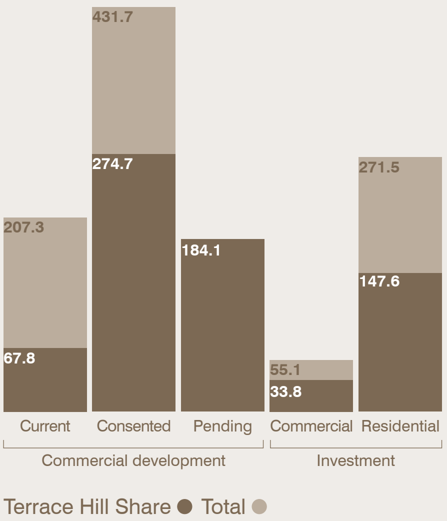


Our portfolio at a glance

Terrace Hill Group manages a commercial development programme, commercial and residential investment portfolios and a Scottish housebuilding business.

Terrace Hill Group development and investment portfolios

Total weighted interest, by end value (£ million)

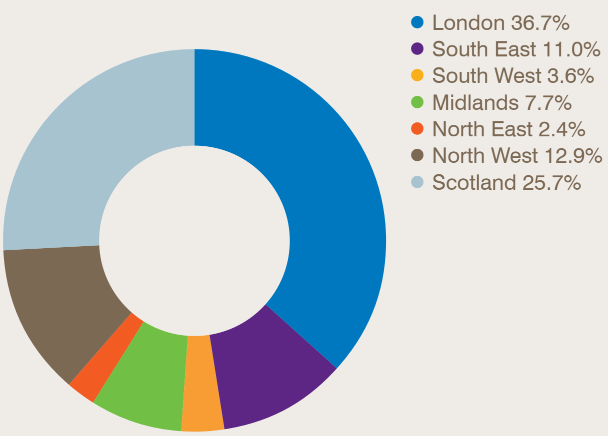


Terrace Hill's property portfolio is detailed on pages 17 to 20, along with our share in each project. The portfolio is split into development schemes together with commercial and residential investments. Development schemes are further divided into the following:

Current	–	developments completed or under construction
Consented	–	sites with detailed planning permission
Pending	–	medium-term developments held prior to detailed planning

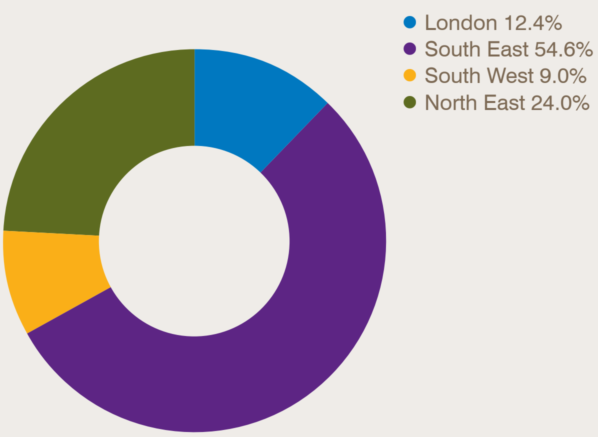
The bar chart sets out the total weighted interest in each scheme, by end value.

Residential investment portfolio



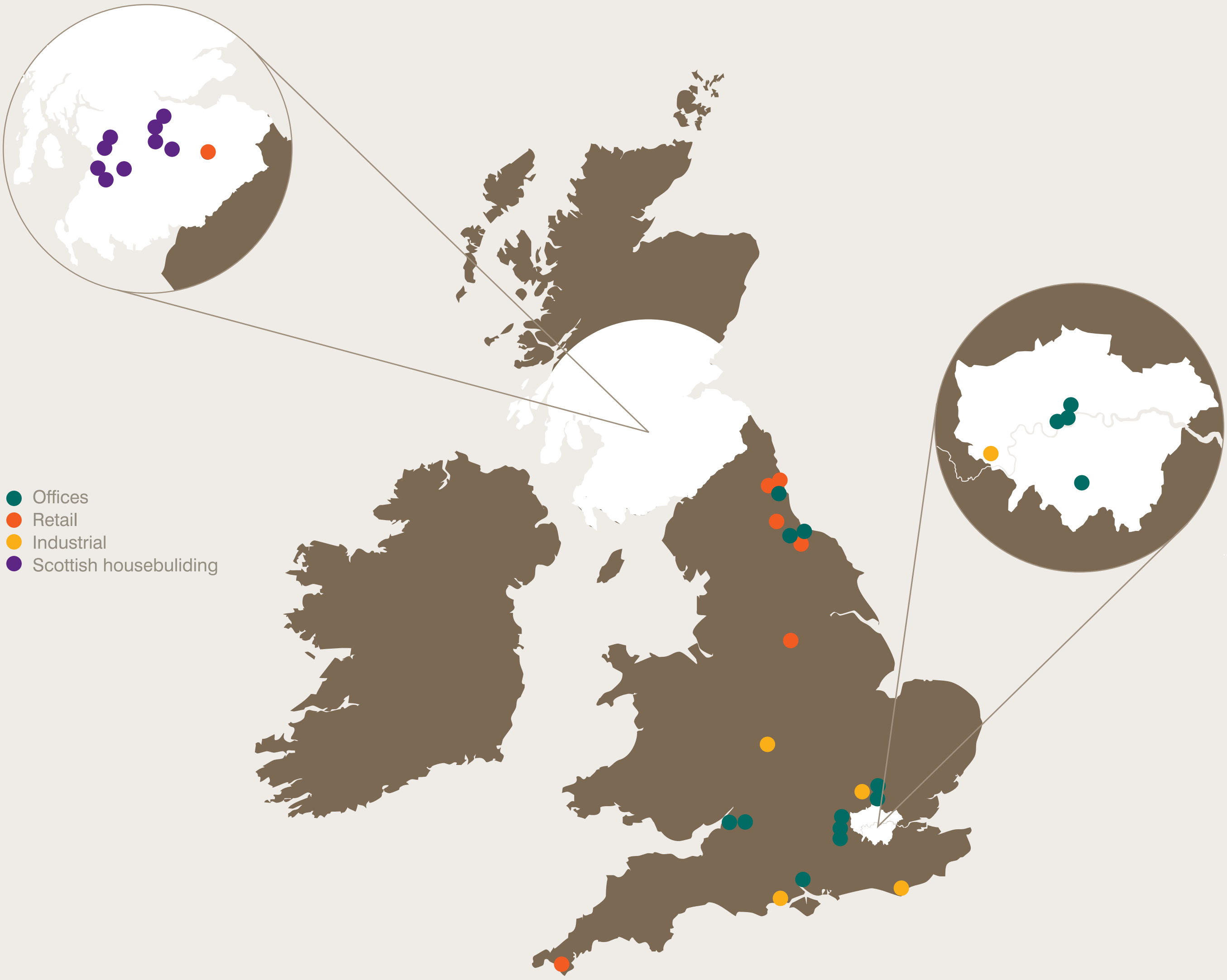
Total % end value by region

Current and consented commercial development portfolio

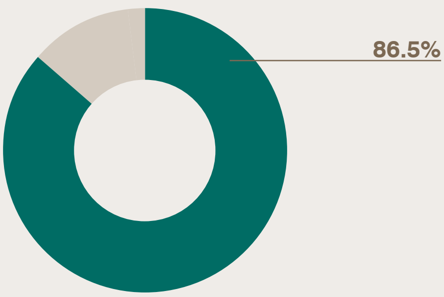


Total % end value by region

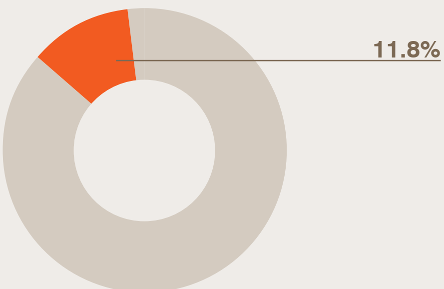
Commercial development, investment and Scottish housebuilding



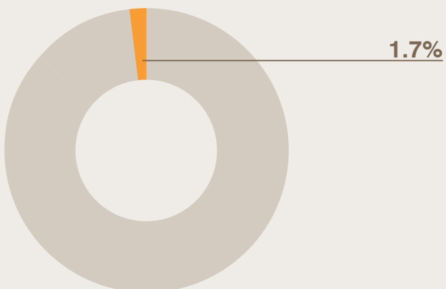
Offices



Retail



Industrial



Total % end value by sector

Chairman's statement

- Our focus on risk management, tight control of capital and overhead expenditure, coupled with our drive towards long-term value creation, means that we can weather the current turbulence and ultimately take advantage of the opportunities that will arise
- Our commitment to pay a final dividend is a demonstration of the confidence the board has in our financial strength and the group's future
- We have successfully dealt with all re-financings required during the period and since the year end
- We continue to add value through active management of our assets and our continued focus on risk management and banking relationships
- I am confident that over the medium-term we will be well positioned to outperform our peers

I am pleased to report our financial results for the year ended 31 October 2008. Despite the unprecedented economic difficulties and consequent rapid decline of property values, we have made good operational progress and been successful in managing and ameliorating the impact of these conditions. Our focus on risk management, tight control of capital and overhead expenditure, coupled with our drive towards long-term value creation, means that we can weather the current turbulence and ultimately take advantage of the opportunities that will arise. In line with the rest of the sector, our financial results are, of course, greatly affected by the general economic situation. As a result, we have seen a fall in trading margins and volumes, increased funding costs and falls in triple net asset value (TNAV) as a result of asset value writedowns.

During the year our adjusted diluted NAV (ADNAV, as defined by EPRA) has decreased by 39.8% to 58.0 pence per share (31 October 2007: 96.3 pence per share) and our TNAV has fallen by 36.2% to 53.4 pence per share (31 October 2007: 83.7 pence per share). Adding back the dividend payments made during the year the underlying TNAV has decreased by 35.1%. The TNAV takes account of any valuation uplifts above book costs of assets held as trading stock, as well as contingent tax on prospective gains and adjustments for financial instruments.

In line with our dividend policy, the board is recommending a final dividend of 0.54 pence per share to be paid on 7 April 2009. This proposed final dividend is lower than last year's final dividend of 1.3 pence per share. We have adjusted the dividend in line with the movement in TNAV. Taken with the interim dividend of 0.8 pence per share paid in August, the total dividend in respect of the year to 31 October 2008 will be 1.34 pence per share. Our commitment to pay a final dividend is a demonstration of the confidence the board has in our financial strength and the group's future.

The group's loss before tax for the year amounted to £31.6 million, which is stated after accounting for changes in the value of our investment properties and reductions in the value of our trading stock. Excluding these, our operating profit before tax for the year was £1.0 million, compared with £4.7 million for the year ended 31 October 2007. The Financial review contains further analyses of our performance in the period and a reconciliation of these amounts.

We have successfully dealt with all re-financings that fell due during the period and since the year end, totalling £84.8 million in respect of on-balance sheet loans and £23.4 million in respect of off-balance sheet loans. Our strong bank relationships have been essential in achieving this outcome. Most of these re-financings have been characterised by somewhat harsher terms, reflecting the lack of competition in the banking market. In 2009, we will have more re-financings to complete and our initial discussions with our lenders give us confidence that these will be completed satisfactorily, a position borne out by our successes to date. None of our existing loans is in default.

Our focus is on our cash flow and preserving our cash resources. We constantly review our cost base and believe we have a lean operation. We have reduced our headcount by 7.1% since the year end and continue to exercise tight control over our discretionary expenditure.

Commercial property
We have continued to make good operational progress with a number of lettings. These include Biogen at Quantum in Maidenhead, Eon at 129 Wilton Road in Victoria, Hertel at Hudson Quay in Middlehaven, further lettings at Kean House in Covent Garden and a substantial pre-letting to Sainsbury's in Bishop Auckland.

We have also sold and forward sold a number of assets, including Queens Wharf in Hammersmith, a site to Sainsbury's in Helston, Cornwall, an office building to the Open University in Gateshead and the sale of smaller units to occupiers in Bristol, Farnborough and Eastbourne.

Residential property
Our residential investment properties have fallen in value by 8.9% in the year, largely out-performing the wider residential market where the Halifax HPI fell by 14.6% over the same period. We are particularly pleased with occupancy levels, now at 91.8%, and with rental levels which have very little delinquency. Rents have grown by approximately 4.0% per annum over the two years to June 2008 and remained stable since then.

Our strategy, however, remains to sell residential units profitably, although the dearth of mortgages has made this difficult recently. In the meantime, we are managing the portfolios efficiently and have effected a reduction in operating costs equivalent to £2.9 million per annum.

We remain confident that our residential investment portfolios will produce good returns over the medium-term driven by: the low relative value of each unit (£138,000); the geographic diversity avoiding cluster risk; and the pent up demand for homes.

Clansman Homes, our Scottish housebuilding business, is consolidating its position with the sites it owns. We now control a landbank with capacity to develop in excess of 1,300 units and have very little unsold stock, with those units that are built seeing signs of renewed interest. We continue to pursue planning consents where needed and, as mortgage availability improves, we will continue to make sales. In the longer-term, Clansman Homes offers a real opportunity to add to shareholder value through an ultimate demerger or trade sale.

Board
I am very happy to welcome Jon Austen to the group as our new Group Finance Director. Jon brings a wealth of experience to us and his knowledge of property fund management and structuring will be invaluable. I am also pleased to report that Tom Walsh, his predecessor, has agreed to stay on as Deputy Finance Director. I am grateful to all the directors and staff for their hard work and dedication over the last year.

Outlook
Clearly the immediate future for our industry looks challenging and I anticipate further falls in asset values. Within our business, however, we have a range of abilities and expertise and, importantly, the experience of managing the business through previous downturns. We continue to add value through active management of our assets. Our continued focus on risk management and banking relationships makes us confident that we can survive the current difficulties and, ultimately, build on the opportunities presented by this market. Our goal has always been to produce superior relative returns for our shareholders through our undoubted skills and management of risk, and I am confident that over the medium-term we will be well positioned to outperform our peers.

Robert FM Adair

Robert FM Adair
Chairman
24 February 2009

Review of operations

- We have completed or contracted sales of £72.4 million and have contracted lettings with an annual rent roll of £5.7 million
- In total, we have achieved detailed planning consent for 882,155 sq ft of new space
- Completed letting of 53,584 sq ft new offices at Quantum 2, Vanwall Business Park, Maidenhead to Biogen Idec
- Detailed planning consent has been granted for a 55,750 sq ft food store at Helston in Cornwall, which is contracted for sale to Sainsbury's
- Completed letting of 19,857 sq ft at 129 Wilton Road to Eon at an average rent of £70.85 per sq ft
- Completed the sale of Queens Wharf in Hammersmith for £30.75 million, realising a profit of £11.1 million

Commercial property
The main focus during the course of the year has been intensively managing existing assets and sites to maximise revenue. This has been achieved by letting vacant space, exploiting pre-letting opportunities, releasing capital through sales and adding value through gaining planning consents.

The majority of our current developments have been carried out in financial joint ventures in which we hold minority equity stakes and all of which have been financed with limited recourse to the group. Our financial exposure to these developments is, therefore, restricted to our original equity stake and to limited interest overrun guarantees. The bar chart on page 2 and tables on pages 17 to 20 detail our share in each current scheme. Where a development has been carried out in phases and part sold, the receipts have generally been used to reduce initial borrowings and project gearing. Properties that have been let or part-let, but not yet sold, provide an income which is used to help service the debt.

It is our usual practice with bare sites to own the whole of the equity until we have added value through planning and mitigated risk through pre-lets or fixed price building contracts, following which we sell down the majority of the equity to a joint venture partner. The tables on pages 17 to 20 also set out consented and pending schemes. We recognise that in the current market we are unlikely to develop these sites without substantial pre-lets or forward sales. Further capital expenditure is therefore limited, however, we are still committed to adding additional value through the planning process.

Some of our operational highlights during the year and since the year end are set out below:

- since 31 October 2007 we have completed or contracted sales of £72.4 million and have contracted lettings with an annual rent roll of £5.7 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 initial rent of £1.6 million per annum;
- 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. Detailed planning has now been granted by the local authority pending a final decision by the Government Office;
- Eon leased 19,857 sq ft at 129 Wilton Road, Victoria on an average rent of £70.85 per sq ft. In the same building, we let the ground floor retail unit to Pret A Manger for £100,000 per annum. The sale of the private and affordable residential units was also completed for £14.5 million;
- Hertel leased 15,000 sq ft in Hudson Quay at Middlehaven on Teesside making the building fully let. The remainder is let to the Crown Prosecution Service;
- at Kean House in Covent Garden we have let all but one floor of the office accommodation, at rents up to £60.00 per sq ft;
- within the Terrace Hill Development Partnership we sold three more units at Aeropark, Farnborough, let or sold three units at Brabazon Office Park, Bristol and sold seven units at Brampton Road, Eastbourne;
- the completion of the sale of a 19,500 sq ft office building to the Open University at Baltic Business Quarter;
- we completed the sale of Queens Wharf in Hammersmith for £30.75 million, realising a profit of £11.1 million; and
- detailed planning consent has been granted for a 55,750 sq ft food store at Helston in Cornwall, which is contracted for sale to Sainsbury's.

We have also added significant value to a number of our sites by gaining new consents, or improving upon existing planning consents, at Southampton, Middlesbrough, Croydon, Bristol and, most recently, at Howick Place in Victoria, London for offices and residential.

In total, we have achieved detailed planning consent for 882,155 sq ft of new space since 31 October 2007.

Residential investment portfolios

At the year end, our residential investment portfolio under management totalled 1,957 units valued at £271 million. Out of this total, 1,714 units are within Terrace Hill Residential PLC in which we have a 49.0% stake.

The value of the portfolios has fallen by 8.9% since last year. Compared to the average fall in residential values across the UK, as measured by the Halifax HPI of 14.6%, our properties have performed well.

Across the whole portfolio, occupancy levels have fallen slightly. At 31 October 2008 occupancy was 91.8% compared to 93.0% at the previous year end. This fall reflects our refurbishment programme where properties are vacant whilst building works are carried out. Demand for the units remains strong.

Rental growth is now largely static, as a consequence of an increased supply of properties to let. The rents from our properties remain very affordable and offer better value than much of the competition. As ever, we aim to maintain a careful balance between rental levels and occupancy rates.

As expected during the current economic climate, sales activity has been slow compared with previous years but we achieved the sale of some individual properties totalling £1.1 million in aggregate.

During the year we also entered into a new management agreement with Allsop Residential Investment Management Limited, who are responsible for the letting and management of the Terrace Hill Residential PLC portfolio. This new agreement will significantly reduce our letting and management fees by £2.9 million per annum.

Clansman Homes

As a result of the weakness in the housing market, we have significantly scaled back plans for new builds and have concentrated on selling inventory stock. This has had some success and has been achieved without large discounts. We have, however, made limited use of part exchanges to facilitate some sales. Currently we have 24 completed and unsold units and have seen an encouraging growth in the number of visitors and enquiries since the beginning of 2009. We continue to pursue planning consents on our landbank and are confident of obtaining planning at our sites at Fenwick, Patna, Carluke and Kilmarnock during the course of the year. This will add 519 new units to the consented landbank. We have also submitted a planning application for the 65 acre site we own partially in joint venture, at Armadale, West Lothian which has capacity for 500 residential units, a food superstore and a neighbourhood centre. Our landbank has the capacity for in excess of 1,300 units and we will be able to accelerate turnover rapidly once market conditions improve.

Philip Leech

Philip Leech
Chief Executive
24 February 2009

Financial review

→ Since October 2007, £108.2 million of debt has been successfully re-financed

→ The group has no unfunded capital commitments in respect of its development projects

→ We borrow from a wide range of banks with whom we have good and long established relationships

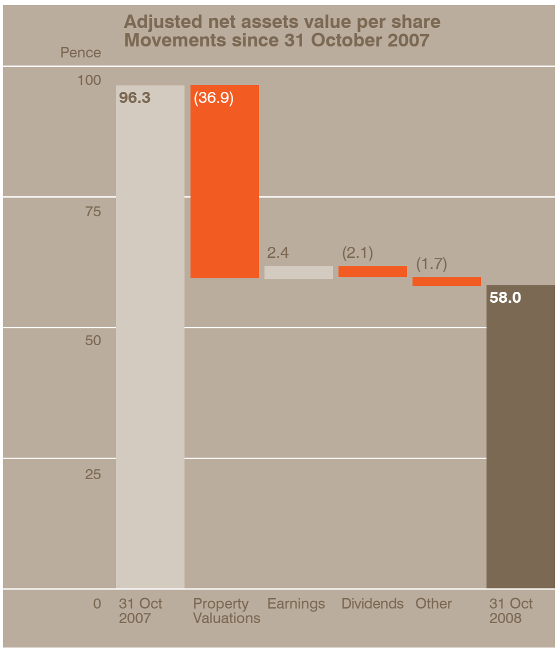
→ Underlying administrative expenses have been reduced from £8.1 million in 2007 to £7.2 million in 2008

Financial results and net asset value
The group's NAV fell by 24.7% in the period to £103.0 million (48.6 pence per share) from £136.9 million (64.6 pence per share) at 31 October 2007 and our adjusted NAV (equivalent to that defined by EPRA) fell by 39.8% to £124.2 million (58.0 pence per share) from £210.9 million (96.3 pence per share) at 31 October 2007.

The main reasons for the movement of 38.3 pence per share in the adjusted NAV are as follows:

- a fall of 14.9 pence per share in the value of our properties as reflected on our balance sheet;
- a fall of 22.0 pence per share in the value of our trading properties as included in our adjusted NAV;
- earnings for the year (before property valuation adjustments) of 2.4 pence per share; and
- dividends paid in the year of 2.1 pence per share.

These items are reflected in the chart below:



Our triple net asset value (TNAV) is arrived at by including the effect of tax estimated to be payable on the profits arising if all the group's properties were to be sold at the values used for adjusted NAV. We also write off all goodwill carried in the balance sheet and reverse any fair value adjustments of our financial instruments in arriving at our TNAV figures. The TNAV at 31 October 2008 fell by 36.2% to £114.3 million (53.4 pence per share) from the 2007 figure of £183.3 million (83.7 pence per share).

Income statement

Our income statement for 2008 contains adjustments in respect of our development properties which were not a feature of our 2007 results. The table set out below derives a figure for adjusted profit which strips out these adjustments and other items.

Revenue in the period was £63.4 million (2007: £69.9 million), a decrease of 9.6%. The single most significant transaction in the period was the sale of a site at Hammersmith for £30.8 million. Also included in revenue are sales of houses at three Clansman Homes sites totalling £3.0 million (2007: £1.6 million) and the balance of the proceeds from pre-sold developments at Wokingham, Gateshead and Newcastle. We also completed the sale of the residential parts of our mixed-use development in Victoria, London.

The group generated £4.8 million in rental income (2007: £4.2 million), an increase of 14.3%, while development management fees and other income contributed £2.6 million (2007: £2.4 million) an increase of 8.3%.

The group recorded a gross loss for the period of £4.1 million (2007: profit £20.7 million). The principal reason for the loss is the inclusion of £12.6 million of write downs in respect of our development properties and £7.8 million in respect of provisions against loans to joint ventures and associated companies. The major contributor to profit in the period, as reported in our interim results, was the sale of the property at Hammersmith which generated a profit of £11.1 million.

Administrative expenses, which largely reflect the operational overheads of the group, were £6.2 million compared with £9.6 million in 2007, a decrease of 35.4%. The main reason for the decrease is due to a credit of £1.0 million in respect of the group's share-based payment scheme in 2008 compared with a charge of £1.5 million in 2007. Ignoring this, underlying administrative expenses have reduced from £8.1 million in 2007 to £7.2 million in 2008.

Movements in the carrying value of our developments and investment properties are included in various lines in our income statement, depending on whether the properties are wholly or partly owned. Unrealised losses arising from the revaluation of wholly owned trading and investment properties amounted to £16.4 million. This comprises £12.6 million in respect of our development properties and is included in the direct costs line of our income statement (as noted above) and £3.8 million, in respect of our on-balance sheet investment properties included in the income statement, in the line of the same description. In addition, included in direct costs is a provision of £7.8 million against loans to joint ventures and associates as a consequence of falling values in the underlying developments. Finally, included in the share of joint ventures and associated undertakings post tax loss is £8.4 million relating to reductions in the carrying value of those off-balance sheet development and investment properties.

The operating loss for the period after the recognition of the unrealised losses referred to above (excluding those relating to the group's share of joint ventures and associated undertakings) was £14.1 million, a reduction on the previous year's operating profit of £18.6 million, although it should be noted that the 2007 figure included valuation uplifts of £7.1 million in respect of investment properties.

Adjusted profit

	October 2008 £m	October 2007 £m
Reported (loss)/profit before tax	**(31.6)**	18.1
Write downs in respect of development properties	**12.6**	—
Write downs in respect of loans to joint ventures and associated companies	**7.8**	—
Deficits/(gains) from investment properties	**3.8**	(7.1)
Deficits/(gains) from joint ventures and associated companies	**8.4**	(6.3)
Adjusted profit before tax	**1.0**	4.7

Financial review

Income statement continued

Finance costs of £5.5 million (2007: £2.4 million) represents the cost of our on-balance sheet debt. The figure for 2008 includes £2.1 million in respect of a development funding agreement which will reverse in 2009. Our weighted average interest rate during the year was 6.1%.

Our investment in joint ventures and associated undertakings generated a loss for the period of £12.4 million (2007: profit £0.5 million). This is primarily due to the results of Terrace Hill Residential PLC, of which our share is 49.0%. The figure of £12.4 million comprises our share of the pre-tax loss on property revaluations of £11.8 million (2007: £5.9 million), a related taxation credit of £3.4 million (2007: £2.5 million) and a trading loss in the period £3.9 million (2007: £5.3 million). Other contributors to the results from joint ventures and associates are the Castlegate House Partnership where our share is 30.0% and Achadonn Limited, our land holding joint venture in Scotland, where our interest is 50.0%.

Balance sheet

The group's total assets at 31 October 2008 were £232.4 million, a decrease of 15.3% on the 2007 amount of £274.3 million. The net assets, after deducting minority interests, were £103.0 million (2007: £136.9 million), a reduction of 24.8%.

Financial resources and capital management

The group's financial resources are principally its cash balances and bank loans and facilities. Typically, the group finances its projects with dedicated debt facilities where an individual project provides the security to the lender, making the project and debt ring-fenced. This results in a relatively large number of discrete bank facilities, which are also relatively short-term, thus reducing risk and maintaining flexibility for the group. At any one time, therefore, the group has a relatively high proportion of its overall debt due for repayment within one year. The majority of our committed commercial developments are financed in off-balance sheet associates or joint venture companies with limited recourse to the group.

At 31 October 2008 our debt position is summarised in the table below.

At 31 October 2008, 16.8% of our on-balance sheet debt was subject to hedging arrangements with an average rate of interest of 5.9%. The percentage of our on-balance sheet debt subject to hedging arrangements is low, as typically such debt has short maturities and is used to finance early stage developments where we have needed to retain flexibility for the repayment of debt. By contrast, the percentage of our off-balance sheet debt that was subject to hedging arrangements was 74.8% at 31 October 2008. Our typical strategy with our off-balance sheet projects is to reduce interest rate risk by a significant degree.

We continually monitor our bank facilities and constantly update a rolling cash forecast for 24 months ahead. It is worth noting that the group has no unfunded capital commitments in respect of its on-balance sheet development projects and all commercial development expenditure in respect of off-balance sheet projects is funded by related bank facilities.

Summary of debt position

	October 2008	October 2007
Net debt	**£85.9m**	£65.5m
Net gearing	**69.1%**	47.8%
Net debt including share of off-balance sheet debt	**£231.1m**	£222.5m
Total net gearing	**186.1%**	105.5%
Loan to value %	**45.7%**	29.6%
Loan to value % including share of off-balance sheet debt	**63.3%**	52.0%

The net gearing and loan to value percentages shown above are in relation to our adjusted NAV. The majority of off-balance sheet debt is of limited recourse to the group.

Debt expiry profile

	On-balance sheet £m	Off-balance sheet* £m
Bank loans and overdraft repayable in one year	63.0	119.4
Bank loans repayable after more than one year	40.9	25.9
Total	103.9	145.3

* group share

Summary of average loan to value ratios of on-balance sheet property

	Average loan to value	Range of covenants
Commercial property	53.6%	50–60%
Residential property	71.4%	70–75%
Housebuilding property	34.3%	65–75%
All property	45.7%	

The group regularly stress tests the portfolio for falls in value and builds into its cash forecasts varying assumptions concerning margin calls or increased funding costs as a consequence of loan to value covenants being breached. The group believes that it has sufficient resources to continue trading for the foreseeable future.

The group's expiry profile of its on-balance sheet debt facilities at the year end, is set out on page 10.

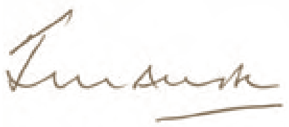
Since October 2007, £108.2 million of debt (including £23.4 million of off-balance sheet debt) has been successfully re-financed. With regard to our re-financings, in all cases they have been characterised by higher margins, but loan to value covenants have largely remained constant. Due to the recent falls in interest rates, funding costs to the group have remained broadly level, notwithstanding the increase in margins on our revised facilities.

The group has a further £47.2 million of on-balance sheet debt requiring re-financing during 2009 and £289.4 million that requires re-financing in relation to our off-balance sheet projects. Our experience to date and our discussions with lenders in 2009 indicate a willingness to renew our loans. We borrow from a wide range of banks with whom we have good and long-established relationships.

None of our existing loans is in default and our covenants are generally limited to loan to value covenants. A summary of the loan to value ratios for our on-balance sheet property is set out on page 10. With regards to our off-balance sheet projects, the group monitors loan to value ratios and, depending on the recourse to the group and the overall status of the project, makes appropriate provisions against its investments.

Dividends

Dividends paid in the year to 31 October 2008 amounted to 2.1 pence (2007: 1.9 pence) and comprised the final dividend in respect of the year to 31 October 2007 of 1.3 pence per share and an interim dividend of 0.8 pence per share in respect of the year to 31 October 2008. The board is recommending to shareholders at the Annual General Meeting on 2 April 2009 a final dividend for the year to 31 October 2008 of 0.54 pence per share. The final dividend will be paid on 7 April 2009 to all shareholders on the register at 20 March 2009.



Jon Austen
Group Finance Director
24 February 2009

Calculation of ADNAV and TNAV (unaudited)

	31 October 2008			31 October 2007		
	£'000	**Number of shares 000s**	**Pence per share**	£'000	Number of shares 000s	Pence per share
Audited net asset value	**103,047**	**211,971**	**48.6**	136,879	211,971	64.6
Revaluation of property held as current assets	**20,324**			68,560		
Shares to be issued under the LTIP	**41**	**2,038**		140	6,965	
Deferred taxation in respect of investment properties	**781**			5,301		
Adjusted diluted net asset value	**124,193**	**214,009**	**58.0**	210,880	218,936	96.3
Decrease %			**(39.8)%**			
Estimated taxation on revaluation of current assets, unrealised gains and availability of tax losses	**(6,472)**			(23,953)		
Goodwill	**(3,456)**			(3,589)		
Triple net asset value	**114,265**	**214,009**	**53.4**	183,338	218,936	83.7
Decrease %			**(36.2)%**			

Risk management

The group places great emphasis on its ability to manage risk effectively and its competence in this area lies at the heart of its operations. The principal risks and uncertainties facing the business and the processes in place to mitigate and manage those risks are described below:

Risk	Mitigation
Strategy	
Implementation of a strategy that is inconsistent with the market environment, skill set and experience of the business	The board meets quarterly to review progress against objectives. The Chairman and executive directors interact closely and constantly consider the current and planned future strategy of the group, making use of their experience and market research. In addition, the board values the contribution and experience of its non-executive directors.
Market	
A deterioration in the commercial and residential markets in which we operate will adversely affect our results and balance sheet	Prior to committing to a development the group conducts detailed appraisals which evaluate the expected returns in the light of likely risks. These appraisals are constantly monitored during development and used to assess the impact of changes in the market conditions and other variables. The group currently has very few development obligations which has been a measured response to the current market conditions. In our residential portfolios we work to ensure that voids are minimised and rental income maximised.
Development	
Failure to obtain or delays in gaining planning consents	The group has great experience in obtaining planning consents for its development schemes and has strong relationships with planning authorities and consultants.
Construction cost inflation	The group's in-house dedicated project management team manages all our developments. We transfer pricing risk to our contractors wherever possible.
Letting risk	Appropriate allowances for voids and incentives are made in our development appraisals. The group has substantial experience and resources responsible for letting, which is supported by a network of specialised letting agents.
Investment	
Reduction in values through increased voids, lower rental levels and deterioration in the fabric of the buildings	We pay close attention to property management, regularly meeting and monitoring the performance of our managing agents with our dedicated team of investment specialists. We carry out pre-planned maintenance programmes paying close attention to the costs of such programmes.
Financial	
Liquidity risk	Cash flow and funding needs are constantly assessed to ensure sufficient resources are in place.
Interest rate risk	The group reviews the split of fixed and floating rate debt and takes action where appropriate to minimise the impact of rising interest rates.
Breach of borrowing covenants	Financial ratios and performance against covenants are regularly reported to the board.
Personnel	
Attracting and retaining the appropriate quality of people to achieve the group's aims	The group ensures that compensation programmes are sufficiently competitive to reward staff appropriately. The relative small number of staff means that communication is strong and that all personnel are integral to the success of the business.

Corporate social responsibility

Corporate social responsibility
Through the group's acquisition, development and management of commercial and residential property, we aim to conduct our business with honesty, integrity and openness, respecting the human rights and interests of our shareholders and employees. We aim to provide timely, regular and reliable information on the business to all our shareholders and conduct our operations to the highest standards.

We strive to create a safe and healthy working environment for the wellbeing of our staff and create a trusting and respectful environment, where all staff are encouraged to feel responsible for the reputation and performance of the company. We have a diverse and dynamic workforce with team players who have the experience and knowledge of the business operations and markets in which we operate. Through good communication, staff are encouraged to realise the objectives of the company and their own potential.

Corporate environmental responsibility
The group's policy is to minimise the risk of any adverse affect on the environment associated with its development activities, with particular consideration of such key areas as energy use, pollution, transport, land use, ecology, renewable resources, health and wellbeing.

Terrace Hill also aims to ensure that its contractors meet with their legislative and regulatory requirements and that codes of best practice are met and exceeded.

The group is committed to maintaining high environmental standards in all its operations and to minimise the impact of its activities on the surrounding environment. The nature of the work that Terrace Hill is involved in means that the group has an opportunity not only to minimise the negative impact on the environment, but also to enhance and improve the environment in which we all live and work.

Board of directors

Robert F M Adair MA ACA CTA FGS **(52)**
Executive Chairman

Robert founded Terrace Hill in 1986. He is executive chairman of Melrose Resources plc, a listed oil and gas company and non-executive chairman of Plexus Holdings plc, a company producing innovative wellheads for the oil industry also quoted on AIM. Robert is also a non-executive director of Chameleon Trust Plc, a quoted investment trust.

Philip Leech MRICS **(45)**
Chief Executive

Philip, a chartered surveyor, worked for Strutt & Parker's investment agency team before joining Terrace Hill in 1993. He established and ran the North East office from 1994 before being appointed Chief Executive in 2005.

Will Wyatt (40)
Non-executive Director

A director of Caledonia Investments plc, Will is also a non-executive director of Avanti Communications Group, a specialist media and satellite company, Cobepa, a Belgian-based investment company, Melrose Resources plc, a listed oil and gas company and TGE Marine AG, a specialist marine gas engineering business.

Jon Austen BSc FCA (52)
Group Finance Director

Jon is a qualified chartered accountant who has been active in the property sector since 1989. He joined Terrace Hill in September 2008 from Goodman Property Investors where he was most recently responsible for product development. He was previously chief financial officer at Arlington Securities Limited and before that Pricoa Property Investment Management.

Kelvin Hudson MA ACA (47)
Non-executive Director

A chartered accountant and managing director of Saffery Champness Guernsey. Kelvin has worked in the fiduciary sector in Guernsey since 1995 and prior to that spent six years as finance director of Network Security (Holdings) Limited, a London-based group specialising in the detection and prevention of fraud.

Robert Dyson MSc FRICS (60)
Non-executive Director

Bob is chairman for the North West region of property advisers, Jones Lang LaSalle, having previously been executive chairman of Dunlop Haywards.

Operations board


Robert Lane
Director, London Development


Mandy Kelly
Director, Residential and Group Company Secretary


Eric Beaven
Director, Projects


Adam Pratt
Director, South West Development


Philip Littlehales
Director, Investment


Duncan McEwan
Director, Retail Development


Tom Walsh
Deputy Finance Director


Martin Vickerman
Director, North East Development

Terrace Hill portfolio

Office development portfolio

Current schemes

Developments completed or under construction

Development	Region	Size (sq ft)	Description	Timing	Terrace Hill share
Victoria, SW1 129 Wilton Road	London	60,407	Substantial mixed-use development comprising 60,407 sq ft of grade A office accommodation part-let to Eon and Pret A Manger. The residential elements of the scheme have all been sold.	Completed	50%
Bracknell Maxis I & II, Western Road	South East	194,210	Prominent 7.9 acre site with planning for three buildings. Phase 1 comprises two buildings, totalling 194,210 sq ft.	On site Completes May 2009	20%
Farnborough Phase 1 Aeropark Cirrus	South East	36,300	Development of 15 small office units ranging in size from 1,793 – 2,975 sq ft. Located adjacent to Farnborough Airfield and Aerospace Business Park. Five units sold.	Completed	20%
Maidenhead Quantum 1 & 2 Vanwall Business Park	South East	120,000	Prime office park development of two buildings. Quantum 2 let to Biogen Idec.	Completed	26%
Teesside Phase 1, 3 Acre Site Teesdale Business Park	North East	32,955	Office scheme of five buildings. Phase 1, Buildings 1, 2 and 4, completed. Building 1 part-let to HBoS.	Completed	20%
Gateshead Baltimore House Baltic Business Quarter	North East	24,500	The second of three Phase 1 office buildings, Baltimore House, is adjacent to the pre-sold Open University HQ building, Chalk Hill, and is being marketed to let or for sale.	Completed	100%
Filton, Bristol Phase 1 & 2 Brabazon Office Park	South West	44,600	Small unit office scheme for owner occupation or to let. Phase 1 completed. Phase 2 on site, with one building pre-sold.	Phase 2 completes June 2009	20%

Consented schemes

Sites with detailed planning permission

Development	Region	Size (sq ft)	Description	Terrace Hill share
Bracknell Maxis III, Western Road	South East	78,895	Prominent 7.9 acre site with planning for three buildings. Phase 1, Maxis I & II, on site. Phase 2, Maxis III, pending.	20%
Teesside Resolution Teesdale Business Park	North East	60,000	Prime development site on Teesdale Business Park.	100%
Teesside Phase 2, 3 Acre Site Teesdale Business Park	North East	22,828	Office scheme of five buildings. Phase 1 completed. Phase 2, Buildings 3 & 5 fully serviced plots.	100%
Gateshead Admiral House, Baltic Business Quarter	North East	31,545	The third and final Phase 1 office building, Admiral House is adjacent to the new Open University building, Chalk Hill, and the completed Baltimore House.	100%
Victoria, SW1 Howick Place	London	135,368	Substantial mixed-use development, with resolution to grant detailed planning consent.	20%
Welwyn Garden City Broadwater Road	South East	15,810	Site with detailed planning for small unit office scheme of seven units. Located close to railway station.	100%
Croydon Chroma George Street	South East	260,133	Office development site in prime location opposite East Croydon railway station. Consent for HQ office increased to 258,056 sq ft, plus 2,077 sq ft of retail on ground floor.	100%
Bristol Bristol Bridge House 138/143 Redcliff Street	South West	53,143	Existing city centre office building, with detailed planning consent secured to provide 53,141 sq ft.	100%
Southampton Mayflower Plaza	South East	116,000	Mixed-use scheme, including offices, hotel and a forward sold residential site.	100%

Bristol
Bristol Bridge House
↓

Croydon
Chroma, George Street
↓

Southampton
Mayflower Plaza
↓

Victoria SW1
Howick Place
↓

Terrace Hill portfolio

Office development portfolio continued

Pending schemes

Medium-term developments held prior to detailed planning

Development	Region	Size (sq ft)	Description	Terrace Hill share
Teesside Phase 2–5, Hudson Quay Middlehaven	North East	99,500	Office park with option to drawdown sites under preferred developer agreement with English Partnership.	50%
Gateshead Balance of site at Baltic Business Quarter	North East	34 acres	Unserviced land with benefit of OPP. Whole 50 acre site has planning consent for 1.5 million sq ft of business use.	100%
Stevenage Knebworth Innovation Park	South East	40 acres	Ten year option from March 2002 for employment use (such as business or science park). Currently negotiating planning consents.	100%
Farnborough Aerospace Park	South East	273,000	Site comprising 11.5 acres with OPP for mixed-use.	100%
Middlesbrough Central Gardens	North East	130,000	Preferred developer for town centre urban regeneration scheme to include offices and hotel.	100%

Retail development portfolio

Consented schemes

Sites with detailed planning permission

Development	Region	Size (sq ft)	Description	Terrace Hill share
Bishop Auckland Phase 1, foodstore	North East	93,000	Site with detailed planning consent for a foodstore, pre-let to Sainsbury's supermarket.	100%
Bishop Auckland Phase 2	North East	65,000	Leisure complex with multiplex cinema, ten-pin bowling and bingo, together with two drive-through restaurant facilities.	100%
Middlesbrough Gateway, Middlehaven	North East	128,000	16.8 acre cleared site with existing consent for a mixed-use scheme; non-food retail warehouse and leisure uses.	100%
Blyth, Northumberland Phase 2, Blyth Retail Park	North East	15,000	Adjacent to Phase 1. Detailed bulky goods planning consent for further 15,000 sq ft in three units.	100%
Helston Retail warehouse site	South West	55,750	Option to acquire 5.2 acre site adjacent to Flambards tourist attraction. Site with detailed planning consent. Contracted for sale to Sainsbury's.	100%

Pending schemes

Medium-term developments held prior to detailed planning

Development	Region	Size (sq ft)	Description	Terrace Hill share
Galashiels Phase 2, Gala Retail Park	Scotland	15,000	Small parcel of land held for strategic ownership, forming access to Phase 2 land. Site assembly and planning consent required.	100%
Ashington town centre Retail warehouse site	North East	30,000	Conditional contract to acquire town centre retail warehouse site.	100%

Middlesbrough
Central Gardens
↓

Bishop Auckland
Sainsbury's foodstore
↓

Middlesbrough
Gateway, Middlehaven
↓

Blyth
Blyth Retail Park
↓

Industrial development portfolio

Current schemes

Developments completed or under construction

Development	Region	Size (sq ft)	Description	Timing	Terrace Hill share
Eastbourne Brampton Business Park	South East	103,000	Industrial and trade counter scheme. Industrial now fully sold or let. Trade park unit marketing ongoing.	Completed	20%

Consented schemes

Sites with detailed planning permission

Development	Region	Size (sq ft)	Description	Terrace Hill share
Welwyn Garden City Broadwater Road	South East	42,151	Site with detailed planning for small unit industrial scheme of 13 units.	100%

Pending schemes

Medium-term developments held prior to detailed planning

Development	Region	Size	Description	Terrace Hill share
Christchurch Site at Grange Road	South West	9.1 acres	Proposed mixed-use scheme, to include industrial, care home and residential uses.	100%

Commercial investment portfolio

Development	Region	Size (sq ft)	Description	Sector	Terrace Hill share
Platts Eyot, TW12	London	12 acres	Listed island on the Thames, at Hampton, with residential potential.	Mixed-use	100%
Sheffield Castle Gate House and 22–22 Haymarket	North	110,000	Vacant department store, let on long lease to BHS, together with adjacent, occupied corner retail unit. Redevelopment potential for mixed-use scheme.	Mixed-use	30%
Bristol Canningford House 38 Victoria Street	South West	20,500	Multi-let office building with future redevelopment potential.	Offices	100%
Teesside Phase 1, Hudson Quay Middlehaven	North East	30,700	First office building on a planned 160,000 sq ft office park. Fully let to the Crown Prosecution Service and Hertel Limited.	Offices	50%
Kean House 11 Kingsway, WC1	London	25,200	Substantial refurbishment of an existing office building arranged over nine floors.	Offices	100%
Redditch REDD 42, Ravensbank Business Park	Midlands	232,680	High bay distribution warehouse. Let to iForce Limited, the e-fulfilment provider for John Lewis PLC.	Industrial	20%

Residential investment portfolio

Property Portfolio	No. of units	Description	Terrace Hill share
TH "Portfolio One"	243	Mixed portfolio of residential units, principally in Scotland, with small representation in England.	100%
TH Residential PLC	1,714	Portfolio of residential properties located across the UK.	49%

Gateshead, Baltimore House
Baltic Business Quarter
↓

Eastbourne
Brampton Business Park
↓

Redditch
REDD 42, Ravensbank Business Park
↓

Welwyn Garden City
Broadwater Road
↓

Terrace Hill portfolio

Scottish housebuilding sites

Sites completed, under construction or with detailed planning permission

Development	Size (acres)	Description	Timing
Carnshalloch Avenue, Patna	2	Development of 16 units.	Completed
Wellington Square, Ayr	0.5	Refurbishment of a former hotel into 16 flats and three storey office building.	Completed
Cairn Road, Cumnock	1.6	Development of 18 units.	Completed
Bertram House, Carnwath	11.5	Former country house and grounds. Development comprises Phase 1 conversion of country house into 11 flats and Phase 2 construction of 20 detached houses in the grounds.	Phase 1 completed
Torbothie Road, Shotts	22	Former brickwork site. Development of 173 units. Phase 1 comprises 20 units.	Phase 1 completes 2009

Sites held prior to detailed planning

Development	Size (acres)	Description	Timing
Kersewell Avenue, Carnwarth	3	Site with planning consent for nine units. Revised application being submitted to increase density.	Anticipated planning consent 2009
Irvine Road, Kilmarnock	18	Former brickwork site. Planning application submitted for 182 units.	Anticipated planning consent 2009
Patna Caravan Park, Patna	30	Former caravan park. Potential for 250 units.	Anticipated planning consent 2009
Boghall Road, Carluke	12	Industrial brownfield land with potential for 67 units.	Anticipated planning consent 2009
"Dunselma", Fenwick	3	Former Church of Scotland home. Planning application submitted for 20 detached houses.	Anticipated planning consent 2009
Lower Bathville, Armadale	65	Industrial brownfield land. Partly owned in JV. Potential for 500 units and a neighbourhood shopping centre.	Anticipated planning consent 2010
Mayfield Brickworks, Carluke	10.9	Industrial brownfield land. Currently owned in JV. Potential for 90 units.	Anticipated planning consent 2010

Carnwath
Bertram House

Leeds
Manor Fold

Manchester
Constance Gardens

Cumnock
Cairn Road

Financial contents

Corporate governance

Independent auditors' report

Accounts

Shareholder information

Directors' report

The directors submit their report and the group financial statements for the year ended 31 October 2008.

Results and dividends

The group loss for the period, after taxation and minority interests amounted to £27,275,000. The directors recommend the payment of a final dividend of 0.54 pence per share making a total dividend for the year of 1.34 pence per share.

Principal activity and review of business

The group's principal activities are property investment, development and trading.

The Chairman's statement, Review of operations, Financial review and Risk management on pages 4 to 12 include a review of the development, risks and uncertainties of the business of the company and its subsidiaries during the period.

Directors and their interests

The beneficial interests of the directors who held office at 31 October 2008 in the ordinary share capital of the company were as follows:

	At 31 October 2008 Ordinary shares	At 31 October 2007 Ordinary shares
R F M Adair	**129,591,239**	129,258,549
P A J Leech	**1,594,447**	1,594,447
J M Austen	**50,000**	—
K M Hudson	**200,000**	100,000
W P Wyatt	**—**	—
R W Dyson	**623,000**	623,000

J M Austen was appointed as a director on 1 September 2008. T G Walsh resigned as a director on 1 September 2008.

Under the long-term incentive scheme, the following maximum number of share awards were granted during the year:

	Year ended 31 October 2008
R F M Adair	495,495[a]
P A J Leech	495,495[a]
J M Austen	594,059[b]

(a) Granted on 30 April 2008 at 55.50 pence.
(b) Granted on 28 October 2008 at 25.25 pence.

The maximum number of awards granted to directors are:

	At 31 October 2008	At 31 October 2007
R F M Adair	**1,342,754**	847,259
P A J Leech	**1,342,754**	847,259
J M Austen	**594,059**	—

No director had any interest in the shares of any of the subsidiary companies. Details of shares purchased by the group's Employee Benefit Trust are shown in note 25.

Details of directors' material interests in contracts are given in note 27.

Financial instruments
Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 21.

Creditors' payment policy and practice
It is the group's payment policy to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to any business taking place. It is our policy to then abide by those terms.

At the period end the group had an average of 18 days (2007: 22 days) purchases outstanding in trade creditors.

Directors' liabilities
The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Substantial shareholding
At 7 January 2009, Caledonia Investments PLC held 17,600,000 ordinary shares of 2.0 pence equivalent to 8.3% of the issued share capital of the company. The company is not aware of any other holding (other than the Chairman's holding noted on page 22) in excess of 3.0% of the issued share capital of the company.

Auditors
The directors have made themselves aware of any information needed by the company's auditors for the purposes of their audit and have established that the auditors are aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditors.

A resolution proposing the reappointment of BDO Stoy Hayward LLP will be submitted at the Annual General Meeting.

On behalf of the board

M A Kelly
Company Secretary
24 February 2009

Statement of directors' responsibilities
in respect of the accounts

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditors' report
to the shareholders of Terrace Hill Group PLC

We have audited the group and parent company financial statements (the 'financial statements') of Terrace Hill Group PLC for the year ended 31 October 2008 which comprise the Consolidated income statement, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated statement of change in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the Chairman's statement, the Review of operations and the Financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 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 the Companies Act 1985 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 October 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 October 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
24 February 2009

Consolidated income statement
for the year ended 31 October 2008

	Notes	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Revenue	2	**63,366**	69,849
Direct costs		**(67,438)**	(49,142)
Gross (loss)/profit		**(4,072)**	20,707
Administrative expenses		**(6,195)**	(9,587)
(Loss)/profit on disposal of investment properties		**(20)**	404
(Loss)/gain on revaluation of investment properties		**(3,846)**	7,062
Operating (loss)/profit		**(14,133)**	18,586
Finance income	4	**467**	1,447
Finance costs	4	**(5,488)**	(2,400)
Share of joint venture and associated undertakings post tax (loss)/profit		**(12,448)**	505
(Loss)/profit before tax		**(31,602)**	18,138
Tax	8	**4,327**	(3,577)
(Loss)/profit from continuing operations		**(27,275)**	14,561
Attributable to			
Equity holders of the parent		**(27,253)**	14,527
Minority interest		**(22)**	34
		(27,275)	14,561
Basic earnings per share	10	**(12.90)p**	7.33p
Diluted earnings per share	10	**(12.90)p**	7.09p

The notes on pages 30 to 52 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 October 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 31 October 2006	**3,744**	**19,369**	**—**	**849**	**8,386**	**—**	**67,930**	**100,278**	**314**	**100,592**
Profit for the year	—	—	—	—	—	—	14,527	14,527	34	14,561
Total recognised income and expense for the year	—	—	—	—	—	—	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 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**
Loss for the year	—	—	—	—	—	—	(27,253)	(27,253)	(22)	(27,275)
Unrealised losses on available-for-sale investments	—	—	—	—	—	(498)	—	(498)	—	(498)
Total recognised income and expense for the year	—	—	—	—	—	(498)	(27,253)	(27,751)	(22)	(27,773)
Acquisition of minority interest	—	—	—	—	—	—	—	—	(26)	(26)
Own shares	—	—	(609)	—	—	—	—	(609)	—	(609)
Share-based payment	—	—	—	—	—	—	(997)	(997)	—	(997)
Merger reserve release	—	—	—	—	(1,298)	—	1,298	—	—	—
Interim ordinary dividends	—	—	—	—	—	—	(1,684)	(1,684)	—	(1,684)
Final ordinary dividends	—	—	—	—	—	—	(2,791)	(2,791)	—	(2,791)
Balance at 31 October 2008	**4,240**	**43,208**	**(609)**	**849**	**7,088**	**(498)**	**48,769**	**103,047**	**258**	**103,305**

Consolidated balance sheet
at 31 October 2008

	Notes	31 October 2008 £'000	31 October 2007 £'000
Non-current assets			
Investment properties	13	**49,160**	53,887
Property, plant and equipment	12	**590**	594
Investments in equity accounted associates and joint ventures	14	**7,145**	18,619
Available-for-sale investments	14	**442**	—
Other investments	14	**109**	147
Intangible assets	11	**3,456**	3,589
Deferred tax assets	20	**4,327**	661
		65,229	77,497
Current assets			
Property inventories	15	**120,488**	126,950
Trade and other receivables	16	**28,612**	42,888
Cash and cash equivalents		**18,022**	26,958
		167,122	196,796
Total assets		**232,351**	274,293
Non-current liabilities			
Bank loans	19	**(40,890)**	(64,339)
Other payables	18	**(3,370)**	(7,480)
Deferred tax liabilities	20	**(782)**	(1,863)
		(45,042)	(73,682)
Current liabilities			
Trade and other payables	17	**(20,878)**	(34,094)
Current tax liabilities		**(153)**	(1,190)
Bank overdrafts and loans	19	**(62,973)**	(28,142)
		(84,004)	(63,426)
Total liabilities		**(129,046)**	(137,108)
Net assets		**103,305**	137,185
Equity			
Called up share capital	22	**4,240**	4,240
Share premium account	23	**43,208**	43,208
Own shares	23	**(609)**	—
Capital redemption reserve	23	**849**	849
Merger reserve	23	**7,088**	8,386
Unrealised losses	23	**(498)**	—
Retained earnings	23	**48,769**	80,196
Equity attributable to equity holders of the parent		**103,047**	136,879
Minority interests		**258**	306
Total equity		**103,305**	137,185

The financial statements on pages 26 to 52 were approved and authorised for issue by the board of directors on 24 February 2009 and were signed on its behalf by:

Philip Leech. | J M Austen

P A J Leech
Director

J M Austen
Director

Consolidated cash flow statement
for the year ended 31 October 2008

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	**(31,602)**	18,138
Adjustments for:		
Finance income	**(467)**	(1,447)
Finance costs	**5,488**	2,400
Share of joint venture and associated undertakings post tax loss/(profit)	**12,448**	(505)
Depreciation and impairment charge	**20,777**	598
Loss/(gain) on revaluation of investment properties	**3,846**	(7,062)
Loss/(profit) on disposal of investment properties	**20**	(404)
Share-based payment (credit)/charge	**(997)**	1,494
Cash flows from operating activities before change in working capital	**9,513**	13,212
Increase in property inventories	**(3,634)**	(34,026)
Decrease in trade and other receivables	**6,419**	5,565
Decrease in trade and other payables	**(22,295)**	(6,466)
Cash absorbed by operations	**(9,997)**	(21,715)
Income from investments	**7**	41
Finance costs	**(4,087)**	(2,745)
Finance income	**1,615**	1,155
Tax paid	**(1,500)**	(3,174)
Net cash flows from operating activities	**(13,962)**	(26,438)
Investing activities		
Purchase of investment property	**—**	(4,491)
Sale of investment property	**1,137**	15,101
Purchase of investments	**(4,011)**	(100)
Sale of investments	**1,982**	1,207
Purchase of property, plant and equipment	**(236)**	(678)
Net cash flows from investing activities	**(1,128)**	11,039
Financing activities		
Borrowings drawn down	**39,813**	58,827
Borrowings repaid	**(34,516)**	(46,022)
Purchase of own shares	**(609)**	—
Issue of shares		
– gross receipts	**—**	25,001
– issue costs	**—**	(666)
Equity dividends paid	**(4,475)**	(3,755)
Net cash flows from financing activities	**213**	33,385
Net (decrease)/increase in cash and cash equivalents	**(14,877)**	17,986
Cash and cash equivalents at 1 November 2007	**26,371**	8,385
Cash and cash equivalents at 31 October 2008	**11,494**	26,371

Notes to the consolidated financial statements
for the year ended 31 October 2008

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretation) published by the International Accounting Standards Board (IASB) as adopted by the European Union ("EU adopted IFRSs") and with those parts of the Companies Act 1985 applicable to companies preparing its financial statements in accordance with IFRSs.

The company has elected to prepare its company financial statements, on pages 53 to 57, in accordance with UK GAAP.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRSs during the year. Adoption of these revised standards did not have any effect on the financial performance or position of the group in the current or prior periods. In certain cases, they did however give rise to additional disclosures.

IFRS 7 Financial Instruments: Disclosures
IAS 1 Amendment – Presentation of Financial Statements

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations relevant to the group with an effective date after the date of these financial statements:

International Accounting Standards (IFRSs/IAS)		Effective date
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective date
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009

The directors do not currently anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information incorporates the results of Terrace Hill Group PLC and its subsidiary and associated undertakings and joint ventures. Intercompany transactions and balances between the group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated income statement.

Joint ventures

An entity is treated as a joint venture where the group holds a long-term interest and shares control under a contractual agreement.

In the consolidated financial statements interests in joint ventures are accounted for using the equity method of accounting whereby the Consolidated balance sheet incorporates the group's share of the net assets of the joint venture. The Consolidated income statement incorporates the group's share of the joint ventures profits after tax.

1 Accounting policies continued

Associates
Where the group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recorded in the Consolidated balance sheet at cost. The group's share of post-acquisition profits and losses is recognised in the Consolidated income statement, except that losses in excess of the group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Investment properties
The group's investment properties are revalued annually to fair value, with changes in fair value being recognised in the Consolidated income statement.

Leases
Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Lease incentives
Lease incentives, including rent-free periods and payments to tenants, are allocated to the income statement on a straight-line basis over the lease term.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimates residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life as follows:

Office equipment	20% – 25% straight-line
Motor vehicles	25% reducing balance
Furniture and fittings	20% – 25% straight-line
Short leasehold property	length of lease

Property inventory
Trading and development properties are inventory and are included in the balance sheet at the lower of cost and net realisable value. Net realisable value is the expected net sales proceeds of the developed property in the ordinary course of business less the estimated costs to completion and associated selling costs. A provision is made to the extent that projected costs exceed projected revenues.

All costs including borrowing costs, directly associated with the purchase and construction of a development property are capitalised up to the date that the property is ready for its intended use. Property acquisitions are recognised when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be readily measured. Revenue is measured at the fair value of the consideration received, excluding VAT. The following criteria must be met before revenue is recognised:

Sale of property
Revenue from the sale of development and investment properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Revenue from housebuilding operations is recognised on completion of sale.

Rental income
Rental income arising from property is accounted for on a straight-line basis over the term of the lease.

Fees and other income
Fees from development management service and other agreements are recognised when earned in accordance with the relevant agreement.

Taxation
The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains on investment property disposals and recognised in prior periods is recorded as a current tax charge with a release of the associated deferred taxation.

Deferred tax is provided on all temporary differences, except:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the same time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Notes to the consolidated financial statements
for the year ended 31 October 2008

1 Accounting policies continued

Taxation continued

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Consolidated income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Share-based payments

The cost of granting share awards under the performance share plan and the other share-based remuneration to directors and other employees is recognised through the Consolidated income statement. The value of shares awarded is calculated by discounting the share price at the date of the award by the anticipated dividend yield over the vesting period and the resulting fair value is amortised through the Consolidated income statement. The charge is reversed if it is likely that any non-market based criteria will not be met.

Employee benefit trust

The group is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and consolidated for the purposes of the group accounts. The EBT's investment in the parent company's shares is deducted from shareholders' funds in the Consolidated balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the group. Any shares held by the EBT are treated as cancelled for the purposes of calculating earnings per share.

Retirement benefits

Contributions to defined contribution pension schemes are charged to the Consolidated income statement in the year in which they relate.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Impairment

The group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication becomes evident, the asset's recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

The group enters into derivative transactions such as interest rate caps and floors in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are subsequently remeasured to fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the Consolidated income statement as a finance cost or income.

Investments

Other investments are included in the Consolidated balance sheet and revalued to fair value. Realised and unrealised gains or losses arising from changes in fair value are included in the Consolidated income statement in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits with banks and other short-term highly-liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits with banks net of bank overdrafts.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Provision is made when there is evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity. Where there is a significant or prolonged decline in the fair value of an available-for-sale asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any previously charged to equity, is recognised in the Consolidated income statement. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any changes in fair value between trade date and settlement date being recognised in equity. On sale, the amount held in equity associated with that asset is removed from equity and recognised in the Consolidated income statement.

1 Accounting policies continued

Trade and other payables
Trade and other payables are initially recorded at fair value and subsequently at amortised cost.

Borrowings
Interest bearing bank loans and overdrafts are initially recorded at fair value, net of any directly attributable issue costs and subsequently recognised at amortised cost.

Borrowing costs
Finance and other costs incurred in respect of the obtaining and maintenance of borrowings are accounted for on an accruals basis using the effective interest method and written off to the Consolidated income statement over the length of the associated borrowings.

Borrowing costs directly attributable to the acquisition and construction of development and investment properties are added to the costs of such properties until the properties are ready for intended use.

All other borrowing costs are recognised in the Consolidated income statement in the period in which they are incurred.

Segmental analysis
A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service and that is subject to risks and returns that are different from those of other business segments

The group operates in three principal segments: commercial property development and investment, residential property investment and housebuilding. The group does not operate outside the UK.

Critical accounting estimates and judgements
The preparation of financial statements under IFRSs requires the directors to make estimates and assumptions that affect the application of accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below:

Going concern
The directors are required to make an assessment of the group's ability to continue to trade as a going concern. Because of the difficult market conditions prevailing, this assessment has been subject to more uncertainties than are usual. 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 two main considerations were as follows:

Cash flow – 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: 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; possible delays in the timing and reductions in proceeds from portfolio sales given the current lack of liquidity in the market; and, possible reductions in anticipated cash flows from re-financing properties after planning permission has been obtained. After considering the potential cash flow sensitivities the group believes that it has sufficient resources to continue trading for the foreseeable future.

Support of the group's banks – the group maintains a regular dialogue with its lenders and keeps them informed of how the group is trading. The group has re-financed £84.8 million of debt since October 2007 (including £28.7 million since 1 November 2008) and has a further £47.2 million of debt and overdraft facilities due to be re-financed in 2009. Whilst the due dates for renewal of these facilities have not yet occurred, the group has opened discussions with each lender to gauge their appetite for their renewal. In all cases the lenders concerned have been supportive and have indicated their desire to renew the facilities subject to mutually acceptable terms being agreed. Further information is contained in the Financial review.

Investment property and inventory
In relation to the investment and development properties, the directors have relied upon the external valuations and advice provided by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The group uses the valuation performed by its independent valuers as the fair value of its investment and development properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The level of activity in the property investment market has been at a low level since the middle of 2007 primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater level of professional judgement being relied upon in arriving at valuations. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term, which could also result in delays to the timing and recovery of debts due from associates and joint ventures.

Notes to the consolidated financial statements
for the year ended 31 October 2008

1 Accounting policies continued

Impairment of goodwill
The group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information, including carrying values, is shown in note 11.

Share-based payment
The fair value of share awards is estimated by using valuation models. The amount of the charge to the Consolidated income statement reflects management's estimate of the likelihood of the performance criteria being achieved and levels of staff turnover during the vesting period. More details, including carrying values, are disclosed in note 25.

Taxation
During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve judgements about future events. The directors have also exercised their judgement in the relation to the recognition of certain deferred tax assets and liabilities.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Revenue

	Total 2008 £'000	Total 2007 £'000
Sales of development properties	**55,982**	63,246
Rents receivable	**4,777**	4,211
Fees and other income	**2,607**	2,392
	63,366	69,849

3 Segmental information
The group operates in three principal segments being commercial property development and investment, residential property investment and housebuilding. The group does not operate outside the UK.

Income statement	**Residential 2008 £'000**	**Commercial 2008 £'000**	**House building 2008 £'000**	**Unallocated items 2008 £'000**	**Total 2008 £'000**	Residential 2007 £'000	Commercial 2007 £'000	House building 2007 £'000	Unallocated items 2007 £'000	Total 2007 £'000
Revenue	**2,722**	**57,654**	**2,990**	**—**	**63,366**	3,496	64,719	1,634	—	69,849
Direct costs	**(1,266)**	**(57,176)**	**(8,996)**	**—**	**(67,438)**	(2,009)	(45,726)	(1,407)	—	(49,142)
Gross (loss)/profit	**1,456**	**478**	**(6,006)**	**—**	**(4,072)**	1,487	18,993	227	—	20,707
Administrative expenses	**—**	**—**	**—**	**(6,195)**	**(6,195)**	—	—	—	(9,587)	(9,587)
(Loss)/profit on disposal of investment properties	**(20)**	**—**	**—**	**—**	**(20)**	244	160	—	—	404
(Loss)/gain on revaluation of investment properties	**(2,182)**	**(1,664)**	**—**	**—**	**(3,846)**	1,221	5,841	—	—	7,062
Operating (loss)/profit	**(746)**	**(1,186)**	**(6,006)**	**(6,195)**	**(14,133)**	2,952	24,994	227	(9,587)	18,586
Net finance costs	**(1,580)**	**(3,576)**	**115**	**20**	**(5,021)**	(1,379)	451	(25)	—	(953)
Share of results of joint venture before tax	**—**	**—**	**(138)**	**—**	**(138)**	—	—	(167)	—	(167)
Share of results of associated undertakings before tax	**(16,200)**	**451**	**—**	**—**	**(15,749)**	(1,954)	88	—	—	(1,866)
Associated undertakings tax	**3,439**	**—**	**—**	**—**	**3,439**	2,538	—	—	—	2,538
(Loss)/profit before tax	**(15,087)**	**(4,311)**	**(6,029)**	**(6,175)**	**(31,602)**	2,157	25,533	35	(9,587)	18,138

3 Segmental information continued

Balance sheet	Residential 2008 £'000	Commercial 2008 £'000	House building 2008 £'000	Unallocated items 2008 £'000	Total 2008 £'000	Residential 2007 £'000	Commercial 2007 £'000	House building 2007 £'000	Unallocated items 2007 £'000	Total 2007 £'000
Investment properties	**28,633**	**20,262**	**265**	**—**	**49,160**	31,962	21,925	—	—	53,887
Property, plant and equipment	**—**	**34**	**67**	**489**	**590**	23	45	22	504	594
Investments – associates and joint ventures	**3,938**	**2,437**	**770**	**—**	**7,145**	16,700	2,066	(147)	—	18,619
Other investments	**3**	**449**	**—**	**99**	**551**		147	—	—	147
Goodwill	**975**	**2,481**	**—**	**—**	**3,456**	992	2,597	—	—	3,589
Deferred tax assets	**—**	**—**	**—**	**4,327**	**4,327**	—	—	—	661	661
	33,549	**25,663**	**1,102**	**4,915**	**65,229**	49,677	26,780	(125)	1,165	77,497
Property inventories	**—**	**92,372**	**28,116**	**—**	**120,488**	—	105,269	21,681	—	126,950
Trade and other receivables	**14,554**	**11,278**	**1,903**	**877**	**28,612**	12,803	30,085	—	—	42,888
Cash	**102**	**17,024**	**896**	**—**	**18,022**	702	26,256	—	—	26,958
	48,205	**146,337**	**32,017**	**5,792**	**232,351**	63,182	188,390	21,556	1,165	274,293
Borrowings	**(20,444)**	**(72,878)**	**(10,541)**	**—**	**(103,863)**	(29,545)	(59,199)	(3,737)	—	(92,481)
Trade and other payables	**(515)**	**(18,331)**	**(4,282)**	**(1,120)**	**(24,248)**	(1,129)	(38,619)	(681)	(1,145)	(41,574)
Current tax	**—**	**—**	**—**	**(153)**	**(153)**	—	(1,190)	—	—	(1,190)
Deferred tax liabilities	**—**	**—**	**—**	**(782)**	**(782)**	(464)	(1,399)	—	—	(1,863)
	(20,959)	**(91,209)**	**(14,823)**	**(2,055)**	**(129,046)**	(31,138)	(100,407)	(4,418)	(1,145)	(137,108)
Net assets	**27,246**	**55,128**	**17,194**	**3,737**	**103,305**	32,044	87,983	17,138	20	137,185

Other segmental information

	Investment 2008 £'000	Developments 2008 £'000	Total 2008 £'000	Investment 2007 £'000	Developments 2007 £'000	Total 2007 £'000
Depreciation	**194**	**10**	**204**	95	—	95
Goodwill impairment	**133**	**—**	**133**	438	14	452
Capital expenditure	**235**	**—**	**235**	653	25	678

4 Finance costs and finance income

	2008 £'000	2007 £'000
Interest payable on borrowings	**7,558**	5,025
Interest payable under a development funding agreement	**2,050**	—
Interest capitalised	**(4,120)**	(2,625)
Finance costs	**5,488**	2,400
Interest receivable from cash deposits and other financial assets	**467**	1,447
Finance income	**467**	1,447

Interest is capitalised at the same rate as the group is charged on the respective borrowings. Fair value adjustments to financial liabilities totalled £Nil (2007: £Nil) and gains on interest rate swaps totalled £Nil (2007: £Nil).

Notes to the consolidated financial statements
for the year ended 31 October 2008

5 Administrative expenses

	2008 £'000	2007 £'000
Depreciation of property, plant and equipment	**204**	95
Loss on disposal of property, plant and equipment	**5**	6
Operating lease charges – rent of properties	**1,311**	1,276
Impairment of goodwill	**133**	452
Share-based payment remuneration	**(997)**	1,494
Fees paid to BDO Stoy Hayward LLP in respect of:		
– audit of the company's annual accounts	**125**	117
– audit of the company's subsidiaries	**50**	75
– other services	**29**	19

6 Directors' emoluments

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Emoluments	**1,023**	1,143	**—**	—
Amounts paid to third parties in respect of directors' services	**15**	13	**15**	13
Amounts receivable under long-term incentive schemes	**—**	34	**—**	—
Defined contribution pension cost	**68**	56	**—**	—

Pension contributions to defined contribution schemes were made during the year in respect of three directors (2007: three). There is a £376,000 credit in respect of the share-based payments scheme (2007: £531,000 charge).

Emoluments of highest paid director

	2008 £'000	2007 £'000
Total emoluments (excluding pension contributions)	**490**	523
Defined contribution pension cost	**26**	21
	516	544

Share-based payment credit £157,000 (2007: charge £213,000).

7 Staff costs

	2008 £'000	2007 £'000
Wages and salaries	**5,901**	5,342
Employer's national insurance contributions and similar taxes	**600**	356
Defined contribution pension cost	**310**	436
Share-based payment expense	**(997)**	1,494
	5,814	7,628

The average monthly number of employees during the year was:

	2008	2007
Property and administration	**60**	58

8 Tax on (loss)/profit on ordinary activities

(a) Analysis of charge in year

	2008 £'000	2007 £'000
Current tax		
UK corporation tax on (loss)/profit for the year	**376**	3,943
Adjustment in respect of prior periods	**44**	(354)
Total current tax	**420**	3,589
Deferred tax		
Origination and reversal of temporary differences	**(4,747)**	(12)
Total deferred tax credit	**(4,747)**	(12)
Total tax (credit)/expense	**(4,327)**	3,577

(b) Factors affecting the tax (credit)/expense for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
(Loss)/profit before tax	**(31,602)**	18,138
Less joint ventures and associates	**12,448**	(505)
(Loss)/profit attributable to the group before tax	**(19,154)**	17,633
(Loss)/profit multiplied by the average rate of UK corporation tax of 28.83% (2007: 30%)	**(5,522)**	5,290
Disallowables	**376**	253
Other temporary differences	**(397)**	(394)
Consortium loss relief utilised	**—**	(2,168)
Utilisation of losses	**1,172**	950
	(4,371)	3,931
Adjustments in respect of prior periods	**44**	(354)
Total tax (credit)/expense	**(4,327)**	3,577

(c) Associates and joint ventures

The group's share of tax on the associates is £3,439,000 credit (2007: £2,538,000 credit). No tax charge arises on the results of the joint ventures.

9 Dividends

	2008 £'000	2007 £'000
Ordinary shares		
Final dividend of 1.3 pence (2007: final dividend for 2006 of 1.1 pence) per share for the year ended 31 October 2007	**2,756**	2,059
Interim dividend paid of 0.8 pence (2007: interim dividend for 2007 of 0.8 pence) per share for the year ended 31 October 2008	**1,684**	1,696
	4,440	3,755
Final dividend after the year of 0.54 pence (2007: 1.3 pence) per share	**1,139**	2,756

The proposed final dividend has not been accrued at the balance sheet date.

Notes to the consolidated financial statements
for the year ended 31 October 2008

10 Earnings per ordinary share
The calculation of basic earnings per ordinary share is based on a loss of £27,253,000 (2007 profit: £14,527,000) and on 211,187,902 (2007: 198,069,224) ordinary shares, being the weighted average number of shares in issue during the period.

The calculation of diluted earnings per ordinary share for 2008 is the same as the calculation of the basic earnings per ordinary share. For 2007 the calculation of diluted earnings per ordinary share is based on a profit: £14,527,000 and on 204,787,224 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.

11 Intangible fixed assets – goodwill

	£'000
Cost	
At 1 November 2006	6,105
Adjustment	(122)
Acquisitions	14
At 1 November 2007	5,997
At 31 October 2008	**5,997**
Impairment	
At 1 November 2006	(1,956)
For the year	(452)
At 1 November 2007	(2,408)
For the year	(133)
At 31 October 2008	**(2,541)**
At 31 October 2008	**3,456**
At 31 October 2007	3,589

Impairment tests for goodwill
Goodwill arising on acquisition is allocated to the group's cash-generating units identified according to business activity.

	2008 £'000	2007 £'000
Commercial properties	**2,481**	2,597
Investment properties	**975**	992
	3,456	3,589

The value of goodwill allocated to the investment activity is directly related to a number of residential units held. As these units are disposed so an impairment charge is made.

In assessing the value-in-use the future cash flows of the group are reviewed to ensure that those units in respect of which the goodwill arose continues to generate cash flows in excess of the carrying value of the goodwill. The cash flow period considered is 12 months, therefore discounting does not apply and is based on forecast asset sales. If this recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense.

It is the opinion of the directors that at 31 October 2008 there was no impairment other than that shown in the note. The carrying value of the group's goodwill is reassessed at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

12 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Furniture and fittings £'000	Total £'000
Cost					
At 1 November 2006	—	6	82	55	143
Additions	151	315	78	134	678
Disposals	—	(25)	(74)	—	(99)
At 1 November 2007	151	296	86	189	722
Additions	8	109	32	86	235
Disposals	—	(35)	(5)	(14)	(54)
At 31 October 2008	**159**	**370**	**113**	**261**	**903**
Depreciation					
At 1 November 2006	—	4	72	31	107
Charge for period	9	39	17	30	95
Disposals	—	—	(74)	—	(74)
At 1 November 2007	9	43	15	61	128
Charge for period	14	84	45	61	204
Disposals	—	(7)	(5)	(7)	(19)
At 31 October 2008	**23**	**120**	**55**	**115**	**313**
Net book value:					
At 31 October 2008	**136**	**250**	**58**	**146**	**590**
At 31 October 2007	142	253	71	128	594

At the year end there were no assets held under finance leases. At 31 October 2007 the net book value of assets under finance leases was £87,000.

Acquisitions in the year to 31 October 2007 comprised assets acquired by the group from Terrace Hill Partnership on its cessation of activities on 31 March 2007. See note 27 (c).

13 Investment properties

	£'000
Valuation	
At 1 November 2006	56,967
Additions	4,491
Disposals	(14,486)
Surplus on revaluation	6,915
At 31 October 2007	53,887
Transfer from inventory	220
Disposals	(1,101)
Loss on revaluation	(3,846)
At 31 October 2008	**49,160**

Included in additions for the year is capitalised interest of £Nil (2007: £431,000).

The investment properties situated in Scotland owned by the group have been valued as at 31 October 2008 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 31 October 2008 by qualified valuers from CB Richard Ellis, and independent form 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 at open market value by directors, who are suitably qualified or experienced, at 31 October 2008 having regard to professional advice and/or sales evidence during the period. The value of these properties was £5,387,000 (2007: £7,172,000).

Notes to the consolidated financial statements
for the year ended 31 October 2008

14 Investments
Associates and joint ventures

	Associates £'000	Joint venture £'000	Total £'000
Cost or valuation			
At 1 November 2006	18,068	20	18,088
Additions	26	—	26
Share of results	672	(167)	505
At 31 October 2007	18,766	(147)	18,619
Investment write off	(81)	—	(81)
Share of results	(12,310)	(138)	(12,448)
Unrealised profit	—	1,055	1,055
At 31 October 2008	**6,375**	**770**	**7,145**

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
Howick Place JV S.a.r.l.	20%	Investment holding company
Two Orchards Limited	20%	Property development

Terrace Hill Residential PLC was incorporated in Scotland and Howick Place JV S.a.r.l. is resident in Luxemburg.

Summarised information 2008

	Terrace Hill Development Partnership £'000	**Devcap 2 Partnership £'000**	**Castlegate House Partnership £'000**	**Terrace Hill Residential PLC £'000**	**Howick Place £'000**	**Two Orchards £'000**	**Other £'000**	**Total £'000**
Revenue	**7,012**	**308**	**610**	**12,265**	**1,502**	—	—	**21,697**
(Loss)/profit after taxation	**(2,119)**	**(1,793)**	**92**	**(26,043)**	**(1,708)**	—	—	**(31,571)**
Total assets	**56,285**	**46,367**	**9,398**	**247,724**	**72,278**	**59,805**	—	**491,857**
Bank debt	**(27,604)**	**(38,962)**	**(8,558)**	**(207,502)**	**(50,523)**	**(52,273)**	—	**(385,422)**
Other liabilities	**(16,602)**	**(9,190)**	**(2,355)**	**(32,184)**	**(25,530)**	**(7,531)**	—	**(93,392)**
Total liabilities	**(44,206)**	**(48,152)**	**(10,913)**	**(239,686)**	**(76,053)**	**(59,804)**	—	**(478,814)**
Net assets/(liabilities)	**12,079**	**(1,785)**	**(1,515)**	**8,038**	**(3,775)**	**1**	—	**13,043**
Share of results for period	—	—	**451**	**(12,761)**	—	—	—	**(12,310)**
Share of net assets	**2,416**	—	—	**3,938**	**20**	**1**	—	**6,375**
Capital commitments	**2,424**	—	—	—	—	**13,485**	—	**15,909**

Summarised information 2007

	Terrace Hill Development Partnership £'000	Devcap 2 Partnership £'000	Castlegate House Partnership £'000	Terrace Hill Residential PLC £'000	Howick Place £'000	Two Orchards £'000	Other £'000	Total £'000
Revenue	31,550	—	702	14,268	1,922	—	—	48,442
Profit/(loss) after taxation	2,765	—	(1,550)	1,192	(2,167)	—	—	240
Total assets	46,527	37,255	9,747	276,947	66,348	28,391	—	465,215
Bank debt	(24,906)	(26,544)	(8,558)	(211,737)	(48,785)	(4,607)	—	(325,137)
Other liabilities	(9,542)	(10,703)	(2,642)	(31,128)	(19,630)	(23,783)	—	(97,478)
Total liabilities	(34,448)	(37,247)	(11,250)	(242,865)	(68,415)	(28,390)	—	(422,615)
Net assets/(liabilities)	12,079	8	(1,503)	34,082	(2,067)	1	—	42,600
Share of results for period	553	—	(465)	584	—	—	—	672
Share of net assets/(liabilities)	2,416	2	(451)	16,700	20	1	78	18,766
Capital commitments	831	4,836	—	—	—	—	—	5,667

14 Investments continued

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

Summarised information

	2008 Achadonn Limited £'000	2007 Achadonn Limited £'000
Revenue	**2,803**	39
Profit/(loss)	**1,834**	(334)
Total assets	**14,332**	11,420
Bank debt	**(9,436)**	(9,536)
Other liabilities	**(3,356)**	(2,178)
Total liabilities	**(12,792)**	11,714
Net assets/(liabilities)	**1,540**	(294)
Share of results for the period	**917**	(167)
Share of net assets/(liabilities)	**770**	(147)

Available-for-sale investments and other investments

	Available-for-sale investments £'000	Other investments £'000	Total £'000
Valuation			
At 1 November 2006	—	1,338	1,338
Additions	—	1	1
Disposals	—	(1,250)	(1,250)
Increase in fair value	—	58	58
At 31 October 2007	—	147	147
Additions	3,987	1	3,988
Disposals	(3,047)	(15)	(3,062)
Decrease in fair value	(498)	(24)	(522)
At 31 October 2008	**442**	**109**	**551**

	2008 £'000	2007 £'000
UK unlisted investments at fair value	**45**	1
UK listed investments at fair value	**506**	146
	551	147

Notes to the consolidated financial statements
for the year ended 31 October 2008

14 Investments continued
At 31 October 2008 the principal subsidiaries, held directly or indirectly by the company were as follows:

Incorporated in the United Kingdom	Proportion of voting rights and ordinary shares held	Nature of business
PCG Residential PLC	100%	Property investment
Paisley Pattern Homes Limited	100%	Property investment
Park Circus (Management) Limited	100%	Management and administration
NC (Res) Limited	100%	Investment holding company and property investment
South Eastern Recovery II Limited	100%	Property investment
Belgrave Residential Assets Limited	100%	Property investment
Belgrave Residential Investments Limited	100%	Property investment
PCG Residential Lettings Limited	100%	Property investment
Spath Holme Limited	100%	Property investment
Terrace Hill (Central Scotland) Limited	100%	Property development
Terrace Hill (Kilmarnock) Limited	100%	Property development
Terrace Hill (Shotts) Limited	100%	Property development
Britannic Global Income Trust PLC	100%	Investment holding company
Neill Clerk Energy US Limited	100%	Property investment
Terrace Hill (Armadale No.2) Limited	100%	Property development
Terrace Hill (Patna) Limited	100%	Property development
Terrace Hill Limited	100%	Investment holding company and property development
Terrace Hill Properties Limited	100%	Property investment
Terrace Hill Developments Limited	100%	Property development
Mount York Estates Limited	100%	Property development
Terrace Hill Projects Limited	100%	Project coordination and management services
Terrace Hill North East Limited	100%	Investment holding company and property development
Terrace Hill (Bracknell) Limited	100%	Investment holding company and property development
Terrace Hill (Howick Place) Investments Limited	100%	Investment holding company and property development
Terrace Hill (Hammersmith) Limited	100%	Property development
Terrace Hill (Welwyn Garden City) Limited	100%	Property development
Terrace Hill (Victoria Street) Limited	100%	Property development
Terrace Hill (Redcliff Street) Limited	100%	Property development
Terrace Hill (Baltic) Limited	100%	Property development
Terrace Hill (Baltic) No 2 Limited	100%	Property development
Terrace Hill (Baltic) No 3 Limited	100%	Property development
Terrace Hill (Middlehaven) Limited	100%	Property development
PCG Investments Limited	100%	Investment holding company and property development
Port Hampton Limited	100%	Property investment and moorings hire
Platts Eyot Limited	100%	Property investment
Middlehaven Properties Limited	100%	Property development
Terrace Hill (Bishop Auckland) Limited	100%	Property development
Terrace Hill (Croydon) Limited	100%	Property development
Terrace Hill Castlegate House Limited	100%	Investment holding company
Terrace Hill (Aeropark) Limited	100%	Property development
Terrace Hill (Galashiels) No. 2 Limited	100%	Property development
Terrace Hill (Awdry) Holdings Limited	100%	Investment holding company
Terrace Hill (Awdry) Limited	100%	Property investment
Terrace Hill (Resolution) Limited	100%	Property development
Terrace Hill (Wilton Road) Holdings Limited	100%	Investment holding company
Terrace Hill (Wilton Road) No. 1 Limited	100%	Property development
Grosvenor Land Holdings Limited	100%	Investment holding company and property investment
Grosvenor Land South Limited	100%	Property investment
SERAH Properties PLC	89%	Property investment
TH (Development Partnership) General Partner Limited	100%	General partner
TH (Development Partnership) Limited	100%	Investment holding company
Terrace Hill Southampton Limited	100%	Property development
Clansman Homes Limited	100%	Property development

15 Property inventories

	2008 £'000	2007 £'000
At 1 November 2007	**126,950**	75,693
Additions	**43,301**	100,399
Disposals	**(36,978)**	(49,142)
Transfers to investment properties	**(220)**	—
Amounts written off the value of inventories	**(12,565)**	—
At 31 October 2008	**120,488**	126,950
Included in these figures is capitalised interest of	**8,269**	4,162

16 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	**1,915**	2,299
Other receivables	**2,553**	4,277
Trade and other receivables	**4,468**	6,576
Prepayments and accrued income	**2,247**	12,261
Amounts due from associates and joint ventures	**29,673**	24,051
Provision for amounts due from associates and joint ventures	**(7,776)**	—
	28,612	42,888

Included in the amount due from associate and joint ventures is a balance due from Howick Place JV S.a.r.l. of £3.4 million that has a final maturity date of 31 December 2014.

The ageing of trade and other receivables was as follows:

	2008 £'000	2007 £'000
Up to 30 days	**1,676**	2,397
31 to 60 days	**1,504**	843
61 to 90 days	**107**	22
Over 90 days	**451**	1,251
Total	**3,738**	4,513
Amounts not yet due	**730**	2,063
Closing balance	**4,468**	6,576

No amounts were overdue at the year end.

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

	2008 £'000	2007 £'000
At 1 November 2007	**—**	—
Amounts written off in year	**—**	—
Increase in allowance on amounts due from associates	**7,776**	—
Closing balance	**7,776**	—

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

17 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	**2,452**	3,398
Other taxation and social security costs	**650**	1,499
Accruals and deferred income	**8,168**	27,384
Other payables	**9,608**	1,813
	20,878	34,094

Notes to the consolidated financial statements
for the year ended 31 October 2008

18 Other payables (non-current)

	2008 £'000	2007 £'000
Other payables	**3,370**	7,480

19 Bank overdrafts and loans

	2008 £'000	2007 £'000
Bank loans	**97,680**	92,410
Bank overdrafts	**6,528**	587
	104,208	92,997
Unamortised loan issue costs	**(345)**	(516)
	103,863	92,481
Amounts due:		
Within one year	**62,973**	28,142
After more than one year	**40,890**	64,339
	103,863	92,481

An analysis of interest rates and information on fair value and security is given in note 21.

20 Deferred tax
Details of the deferred tax (credited)/charged to the Consolidated income statement are as follows:

	2008 £'000	2007 £'000
Investment property revaluations	**(1,515)**	521
Trade losses	**(3,084)**	—
Share-based payments	**279**	(413)
Short-term timing differences	**(427)**	(120)
	(4,747)	(12)

The Consolidated balance sheet deferred tax assets and liabilities are as follows:

	2008 £'000	2007 £'000
Deferred tax provision		
Investment property revaluations	**(782)**	(1,863)
	(782)	(1,863)
Deferred tax asset		
Share option scheme	**221**	501
Investment property revaluations	**434**	—
Trade losses	**3,084**	—
Other timing differences	**588**	160
	4,327	661

Under IAS 12, deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date. No deferred tax asset is recognised in respect of losses if there is uncertainty over future recoverability.

21 Financial instruments

The group's principal financial instruments comprise loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the group's operations. Further information on the group's financial resources and capital management is given in the Financial review on page 10.

The group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations, listed and unlisted investments.

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The magnitude of the risk that has arisen over the period is detailed below.

Interest rate risk

The group holds cash balances on short-term deposit. The group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

The group borrows cash in the form of loans and overdrafts, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in the bank base rate. The group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates.

Credit risk

The group's principal financial assets are cash and trade receivables. Our cash deposits are placed with a range of banks to minimise the risk to the group. The principal risk therefore arises from trade receivables. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but the group's exposure to tenant default is limited as no tenant accounts for more than 10% of total rent. Rental cash deposits and third party guarantees are obtained as a means of mitigating financial loss from defaults.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. Cash flow and funding needs are regularly monitored. Further information is given in note 1.

Categories of financial assets and financial liabilities

	2008 £'000	2007 £'000
Current financial assets		
Available-for-sale investments	**442**	—
Other investments	**109**	147
Trade and other receivables	**4,468**	6,576
Amounts due from associates and joint ventures	**21,879**	24,051
Cash and cash equivalent	**18,022**	26,958
	44,920	57,732

Financial liabilities measured at amortised cost

	2008 £'000	2007 £'000
Current financial liabilities		
Trade and other payables	**20,228**	32,595
Loans and borrowings	**63,099**	28,258
Total current financial liabilities	**83,327**	60,853
Non-current financial liabilities		
Other payables	**3,370**	7,480
Loans and borrowings	**41,109**	64,739
Total non-current financial liabilities	**44,479**	72,219
Total financial liabilities	**127,806**	133,072

The maximum exposure to credit risk in financial assets is £44,920,000 (2007: £57,732,000). The maximum amount due from any single party is £14,403,000 (2007: £10,196,000) included in amounts due from associates and joint ventures. For further information see note 27.

Notes to the consolidated financial statements
for the year ended 31 October 2008

21 Financial instruments continued
Interest rate risk profile of financial assets and liabilities
The interest rate profile of financial assets and liabilities of the group at 31 October 2008 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	**44,920**	**18,022**	**3,480**	**23,418**

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is charged £'000
Sterling	**127,806**	**104,208**	**—**	**23,598**

Floating rate financial liabilities bear interest at LIBOR or base rate plus margins of between 1% and 2.5%.

Included in floating rate financial liabilities is £17,517,000 (2007: £Nil) subject to interest rate swaps entered into on 28 October 2008.

The interest rate profile of financial assets and liabilities of the group at 31 October 2007 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	57,732	26,958	3,480	27,294

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is charged £'000
Sterling	133,072	92,997	—	40,075

The floating rate financial assets comprise:

- cash on deposit.

The floating rate financial liabilities comprise:

- sterling denominated bank loans that bear interest based on LIBOR and bank base rates; and
- sterling denominated bank overdrafts that bear interest based on bank base rates.

The fair value of the financial assets and liabilities is equal to the book value.

21 Financial instruments continued

Borrowings

The group's bank borrowings and overdrafts are repayable as follows:

	2008 £'000	2007 £'000
On demand or within one year	**63,099**	28,258
In more than one year but less than two	**8,924**	51,361
In more than two years but less than five	**32,185**	13,378
	104,208	92,997

The bank overdraft is secured by way of debenture and cross guarantee from certain subsidiaries.

The bank loans are secured by legal charges over the group's investment and development properties together with guarantees from certain subsidiary undertakings with a limited guarantee from the parent company and in one case a floating charge from the parent company.

Borrowing facilities

The group has the following undrawn committed bank borrowing facilities available to it at the year end:

	2008 £'000	2007 £'000
Expiring in one year or less:	**5,375**	8,782
Expiring in more than one year but not more than two:	**12,756**	24,877
Expiring in more than two years but not more than five:	**8,187**	4,000
	26,318	37,659

Guarantees

The group has given a guarantee of £15.0 million as part of the security arrangements for the bank facilities of Terrace Hill Residential PLC, one of its associated undertakings.

Market rate sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The analysis below shows the sensitivity of the income statement and net assets to a 0.5% change in interest rates on the group's financial instruments.

The sensitivity analysis is based on the sensitivity of interest to movements in interest rates and is calculated on net floating rate exposures on debt and deposits.

	0.5% decrease in interest rates £'000	0.5% increase in interest rates £'000
Impact on interest payable – gain/(loss)	**266**	**(266)**
Impact on interest receivable – (loss)/gain	**(144)**	**152**
Total impact on pre-tax (loss)/profit and equity	**122**	**(114)**

Notes to the consolidated financial statements
for the year ended 31 October 2008

22 Called up share capital

	2008 £'000	2007 £'000
Authorised:		
500,000,000 (2007: 500,000,000) ordinary shares of 2 pence each	**10,000**	10,000
200,000 cumulative 8% redeemable preference shares of £1 each	**200**	200
44,859 convertible shares of 20 pence each	**9**	9
32,551,410 deferred shares of 2 pence each	**651**	651
	10,860	10,860

	£'000	£'000
Allotted, called up, and fully paid:		
211,971,299 (2007: 211,971,299) ordinary shares of 2 pence each	**4,240**	4,240

23 Reserves

	Share premium £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Unrealised gains and losses £'000	Retained earnings £'000
At 1 November 2006	19,369	—	849	8,386	—	67,930
Profit for the year	—	—	—	—	—	14,527
Share-based payment	—	—	—	—	—	1,494
Interim ordinary dividends	—	—	—	—	—	(1,696)
Final ordinary dividends	—	—	—	—	—	(2,059)
Issue of ordinary share capital						
– gross proceeds	24,505	—	—	—	—	—
– issue costs	(666)	—	—	—	—	—
At 31 October 2007	43,208	—	849	8,386	—	80,196
Loss for the year	—	—	—	—	—	(27,253)
Unrealised losses on available-for-sale investments	—	—	—	—	(498)	—
Own shares	—	(609)	—	—	—	—
Share-based payment	—	—	—	—	—	(997)
Merger reserve release	—	—	—	(1,298)	—	1,298
Interim ordinary dividends	—	—	—	—	—	(1,684)
Final ordinary dividends	—	—	—	—	—	(2,791)
At 31 October 2008	**43,208**	**(609)**	**849**	**7,088**	**(498)**	**48,769**

The following describes the nature and purpose of each reserve within owners' equity:

Share premium – represents the excess of value of shares issued over their nominal amount.

Own shares – represents amount paid to purchase issued shares for the employee share-based payment plan.

Capital redemption reserve – represents amount paid to purchase issued shares for cancellation at their nominal value.

Merger reserve – the Merger reserve has arisen following acquisitions where the group's equity has formed all or part of the consideration and represents the premium on the issued shares less costs.

Unrealised gains and losses – represents unrealised loss on available-for-sale investments.

Retained earnings – represents cumulative net gains and losses recognised in the Consolidated income statement.

24 Contingent liabilities and capital commitments

On the acquisition by Terrace Hill Group PLC of a subsidiary company, amounts were repayable in the event of:

(a) disposal of the property/ies prior to an agreed cut-off point; or

(b) the discontinuation of rental income from the property/ies.

The directors are of the opinion that neither of these contingencies will crystallise, since the principal activity of the subsidiary concerned is the letting of the properties for rental income and it is not anticipated that the properties will be disposed of within the timeframe of (a) above. In the event of crystallisation of (a) and/or (b), the subsidiary concerned will be obligated to pay an amount calculated with reference to the properties disposed of/not let out. The maximum sum repayable is £381,000 (2007: £442,000).

Capital commitments relating to development sites are as follows:

	2008 £'000	2007 £'000
Contracted but not provided for	**—**	13,772

25 Share-based payments

The group operates an equity-settled share-based payment scheme for executive directors and certain senior management.

Under the scheme, ordinary share awards will vest if triple net asset value per share increases by averages of between 5% and 25% per annum plus retail price index over a maximum three year period from the date of the balance sheet before the date of the grant. Awards will lapse if not vested at the end of the vesting period.

	2008 Value of award at date of grant	**2008 Share price for grant**	**2008 Number of share awards granted**	2007 Value of award at date of grant	2007 Share price for grant	2007 Number of share awards granted
1 November 2006	**—**	**—**	**—**	75.39p	80.00p	2,037,500
1 November 2006	**—**	**—**	**—**	76.89p	80.00p	450,000
30 April 2008	**52.30p**	**55.50p**	**3,509,899**	—	—	—
28 October 2008	**22.55p**	**25.25p**	**594,059**	—	—	—
Awards granted in the year			**4,103,958**			2,487,500
Awards lapsed in the year			**(93,468)**			—
Awards outstanding at the end of the year			**11,343,375**			7,332,885

The fair value of shares awarded is calculated by discounting the share price at the date of the award by the anticipated dividend yield over the vesting period. This value is charged to the income statement over the vesting period. A credit arises to the income statement in the current year due to a revised estimate of the amount of award, likely to vest. None of the share awards granted had vested at the year end. The credit to the income statement was £997,000 (2007: charge £1,494,000).

The company has established the Terrace Hill Group PLC Employee Benefit Trust (the Trust) to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the company. The Trust purchases shares in the company to satisfy the company's obligations under its share-based payment plans.

On 31 October 2008 the Trust held 1,020,000 (31 October 2007: 125,000) ordinary 2 pence shares in Terrace Hill Group PLC at a cost of £609,000. On that date awards over 11,343,375 (31 October 2007: 7,332,885) ordinary 2 pence shares in Terrace Hill Group PLC had been made under the share-based payment plan.

Notes to the consolidated financial statements
for the year ended 31 October 2008

26 Leases
Operating lease commitments where the group is the lessee
The future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2008 £'000	Land and buildings 2007 £'000
In one year or less	**1,373**	1,373
Between two and five years	**5,490**	5,492
In five years or more	**6,982**	8,358
	13,845	15,223

Operating lease commitments where the group is the lessor
The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Land and buildings 2008 £'000	Land and buildings 2007 £'000
In one year or less	**1,997**	1,463
Between two and five years	**7,746**	5,565
In five years or more	**8,346**	1,584
	18,089	8,612

27 Related party transactions
(a) Included in fees and other income for the period are amounts charged in the ordinary course of business to the following partnerships, associates and joint ventures:

	2008 £'000	2007 £'000
Guildford Partnership	**—**	1
Templar Circus Partnership	**—**	9
Wilton Road Partnership	**380**	174
Terrace Hill Development Partnership	**44**	242
Castlegate House Partnership	**18**	18
Terrace Hill Residential PLC	**311**	300
Devcap 2 Partnership	**220**	369
Howick Place Office S.a.r.l.	**507**	411
Two Orchards Limited	**727**	—
Achadonn Limited	**40**	70
Included in interest receivable for the period are amounts charged to the following partnerships and associates:		
Howick Place Office S.a.r.l.	**279**	—
Achadonn Limited	**89**	68

27 Related party transactions continued

The following amounts due from the group's partnerships, associates and joint ventures are included in receivables at the year end:

	2008 £'000	2007 £'000
Wilton Road Partnership	**3,509**	2,515
Castlegate House Partnership	**678**	678
Terrace Hill Residential PLC	**14,403**	10,196
Devcap 2 Partnership	**2,098**	2,098
Howick Place Office S.a.r.l.	**3,995**	3,062
Two Orchards Limited	**5,000**	5,000
Achadonn Limited	**1,628**	1,078

The group has made full provision for the amounts due from Castlegate House Partnership, Devcap 2 Partnership and Two Orchards Limited.

The group acquired a property from Achadonn Limited during the period for £2,750,000. Of this amount, £1,450,000 was included in trade payables at the year end.

The relationship with the partnerships is disclosed in note 14.

(b) Terrace Hill Residential PLC

As stated in note 14 the group has accounted for its 49% share of Terrace Hill Residential PLC as an associate company. Of the other 51% shareholding in that company, 49% is held by the Skye Investments group and 2% by R F M Adair. Skye Investments Limited is a company ultimately owned by family trusts for the benefit of R F M Adair and family. As part of the security arrangements for the financing of the acquisition of the at.home Nationwide portfolio by Terrace Hill Residential PLC, Skye has given a guarantee for £15.0 million. Skye and R F M Adair also advanced to Terrace Hill Residential PLC £14.9 million (2007: £10.1 million) by way of shareholder loans to assist in the funding of the acquisition and the ongoing working capital requirements of the associate.

(c) Terrace Hill Partnership

Up to 31 March 2007 office facilities and staff were provided to the group by Terrace Hill Partnership. Terrace Hill Partnership ceased to trade on 31 March 2007 and its employees and partners became employees of the group with effect from 1 April 2007.

Notes to the consolidated financial statements
for the year ended 31 October 2008

28 Acquisition of subsidiaries
No subsidiaries were acquired in the year to 31 October 2008. Details regarding the prior year to 31 October 2007 are given below:

	Tay Homes (Glasgow) Limited
Nature of business	Housebuilder
Percentage of issued share capital acquired	100%
Date of acquisition	1 November 2006

	£'000
Fair value of assets and liabilities acquired:	
Inventories	419
Receivables	3,373
Payables	(3,777)
Consideration	15

Represented by:

	£'000
Cash	15

Pre-acquisition financial information in respect of the company acquired during the period.

	Tay Homes (Glasgow) Limited
Start of the financial period	1 June 2006
Date of acquisition	1 November 2006

	£'000
Turnover	8,138
Cost of sales	(7,926)
Administrative expenses	(100)
Interest payable	(67)
Profit in the period	45

29 Controlling party
The group was controlled throughout the period by family trusts in which R F M Adair has an interest.

Company balance sheet – UK GAAP
at 31 October 2008

	Notes	31 October 2008 £'000	As restated 31 October 2007 £'000
Fixed assets			
Investments	4	**25,235**	34,079
Current assets			
Debtors due within one year	5	**129,222**	74,555
Cash at bank and in hand		**3,759**	34
		132,981	74,589
Creditors: amounts falling due within one year	6	**(88,649)**	(33,429)
Net current assets		**44,332**	41,160
Net assets		**69,567**	75,239
Capital and reserves			
Called up share capital	9	**4,240**	4,240
Share premium account	10	**43,208**	43,208
Share scheme reserves	10	**791**	1,788
Own shares	10	**(609)**	—
Investment revaluation reserve	10	**53**	73
Capital redemption reserve	10	**849**	849
Merger reserve	10	**14,688**	15,986
Profit and loss account	10	**6,347**	9,095
Shareholders' funds		**69,567**	75,239

The financial statements were approved by the board and authorised for issue on 24 February 2009.

P A J Leech
Director

J M Austen
Director

The notes on pages 54 to 57 form part of these financial statements.

Notes to the company financial statements
for the year ended 31 October 2008

1 Accounting policies

Accounting convention

The accounts have been prepared under UK GAAP and the historical cost convention, as modified by the revaluation of investment properties and listed and unlisted investments and in accordance with the Companies Act 1985.

The director's assessment of going concern is given in note 1 to the consolidated financial statements.

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the term of the lease.

Share-based payments

The cost of granting share awards under the performance share plan and the other share-based remuneration to directors and other employees is recognised through the profit and loss account. The value of shares awarded is calculated by discounting the share price at the date of the award by the anticipated dividend yield over the vesting period and the resulting fair value is amortised through the profit and loss account. The charge is reversed if it is likely that any non-market based criteria will not be met.

Where the company grants rights in its equity directly to an employee of a subsidiary, the transaction is accounted for as an equity-settled transaction. In the financial statements of the company, the grant of rights is recognised as a capital contribution made to the subsidiary.

Investments

The investments in subsidiary companies are included in the company's balance sheet at cost less provision for impairment. Other fixed asset investments are shown at fair value with any associated uplift taken to the investment revaluation reserve.

Dividend distribution

Dividend distributions to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are paid.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

→ the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

Debtors

Debtors are recognised at invoiced values less provisions for impairment. A provision for impairment of debtors is established where there is objective evidence that the company will not be able to collect all amounts due according to the agreed terms of the debtors concerned.

Cash at bank and in hand

Cash at bank and in hand consists of cash in hand and deposits with banks.

Creditors

Creditors are recognised at invoiced amounts.

Prior year adjustment

The company has adopted UITF 44 and recognised share rights granted to employees of a subsidiary as a capital contribution, rather than a share scheme charge in the company's profit and loss account. The UITF is applied retrospectively and the impact is to increase the net assets of the company at the end of the current and preceding year by £791,000 and £1,785,000 respectively. Accordingly the balance sheet of the proceeding year has been restated.

2 Profit/(loss) attributable to members of the parent company

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a profit after tax and before dividends of £386,000 (2007: loss £1,132,000 restated) which is dealt with in the financial statements of the parent company.

3 Staff costs

There are no staff costs in the company. Directors' remuneration is disclosed in note 6 to the consolidated financial statements. Details of share-based payments and awards outstanding are shown in note 25 to the consolidated financial statements.

4 Investments

Company	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost or valuation:			
At 1 November 2007 as previously stated	33,104	276	33,380
Prior year adjustment	1,788	—	1,788
At 1 November 2007 as restated	34,892	276	35,168
Additions	—	1	1
Capital contribution on share scheme options to employees of subsidiaries	(997)	—	(997)
Deficit on revaluation	—	(20)	(20)
At 31 October 2008	**33,895**	**257**	**34,152**
Whereof:			
Cost	33,895	—	33,895
Valuation	—	257	257
	33,895	257	34,152
Provision for diminution in value:			
At 1 November 2007	936	153	1,089
Provided during the period	7,824	4	7,828
At 31 October 2008	**8,760**	**157**	**8,917**
Net book value:			
At 31 October 2008	**25,135**	**100**	**25,235**
At 31 October 2007	33,956	123	34,079

On a historical cost basis other investments would have been included at a net book value of £47,000 (2007: £50,000).

A list of group subsidiaries is shown in note 14 of the Consolidated financial statements.

5 Debtors

	2008 £'000	2007 £'000
Trade debtors	**29**	20
Prepayments and accrued income	**208**	204
Amount due from subsidiaries	**128,700**	73,772
Other debtors	**285**	559
	129,222	74,555

6 Creditors

	2008 £'000	2007 £'000
Amounts due within one year:		
Trade creditors	**85**	44
Accruals and deferred income	**503**	346
Other creditors	**372**	347
Amounts due to subsidiaries	**87,689**	32,692
	88,649	33,429

7 Related party transactions

The company has taken advantage of the exemption allowed by FRS 8 Related Party Transactions, not to disclose any transactions with entities that are included in the consolidated financial statements of Terrace Hill Group PLC.

8 Deferred tax

	2008 £'000	2007 £'000
At 1 November 2007:	**(546)**	(128)
Charged/(credited) to the profit and loss account	**197**	(418)
Other timing differences	**128**	—
At 31 October 2008	**(221)**	(546)

Notes to the company financial statements
for the year ended 31 October 2008

9 Called up share capital

	2008 £'000	2007 £'000
Authorised:		
500,000,000 (2007: 500,000,000) ordinary shares of 2 pence each	**10,000**	10,000
200,000 cumulative 8% redeemable preference shares of £1 each	**200**	200
44,859 convertible shares of 20 pence each	**9**	9
32,551,410 deferred shares of 2 pence each	**651**	651
	10,860	10,860

	£'000	£'000
Allotted, called up, and fully paid:		
211,971,299 (2007: 211,971,299) ordinary shares of 2 pence each	**4,240**	4,240

10 Reserves

	Share scheme reserve £'000	Share premium £'000	Revaluation reserve other £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 November 2006 as previously stared	—	19,369	32	—	849	15,986	13,982
Prior year adjustment	294	—	—	—	—	—	—
At 1 November 2008 as restated	294	19,369	32	—	849	15,986	13,982
(Loss) for the year	—	—	—	—	—	—	(1,132)
Capital contribution	1,494	—	—	—	—	—	—
Interim ordinary dividends	—	—	—	—	—	—	(1,696)
Final ordinary dividends	—	—	—	—	—	—	(2,059)
Surplus on revaluation of unlisted investments	—	—	41	—	—	—	—
Issue of new shares – proceeds	—	24,505	—	—	—	—	—
– cost	—	(666)	—	—	—	—	—
At 31 October 2007	1,788	43,208	73	—	849	15,986	9,095
Profit for the year	—	—	—	—	—	—	386
Capital contribution	(997)	—	—	—	—	—	—
Interim ordinary dividends	—	—	—	—	—	—	(1,684)
Final ordinary dividends	—	—	—	—	—	—	(2,748)
Own shares	—	—	—	(609)	—	—	—
Merger reserve release	—	—	—	—	—	(1,298)	1,298
Deficit on revaluation of unlisted investments	—	—	(20)	—	—	—	—
At 31 October 2008	**791**	**43,208**	**53**	**(609)**	**849**	**14,688**	**6,347**

Details of own shares held by the Employee Benefit Trust are shown in note 25 to the consolidated financial statements.

11 Reconciliation of movement in shareholders' funds

	2008 £'000	2007 £'000
Profit/(loss) for the financial year	**386**	(1,132)
New ordinary share capital subscribed	—	24,335
Equity dividends paid	**(4,432)**	(3,755)
Own shares	**(609)**	—
(Deficit)/surplus on revaluation of unlisted investments	**(20)**	41
Capital contribution	**(997)**	1,494
Net (reduction)/increase to shareholders' funds	**(5,672)**	20,983
Opening shareholders' funds as previously stated	**73,451**	53,962
Prior year adjustment	**1,788**	294
Opening shareholders' funds as restated	**75,239**	54,256
Closing shareholders' funds	**69,567**	75,239

12 Guarantees and financial commitments

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2008 £'000	Land and buildings 2007 £'000
Operating leases which expire:		
In less than one year	—	—
In two to five years	—	—
After five years	**1,245**	1,245
	1,245	1,245

The company has given a guarantee of £15.0 million as part of the security arrangements for the bank facilities of Terrace Hill Residential PLC, one of its associated undertakings.

Summary five-year financial history

		IFRS			UK GAAP	
		2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Revenue	£'000	**63,366**	68,849	80,493	26,850	27,492
(Loss)/profit before tax	£'000	**(31,602)**	18,138	25,832	4,237	4,084
Tax	£'000	**4,327**	(3,577)	(1,551)	(763)	3
(Loss)/profit after tax	£'000	**(27,275)**	14,561	24,281	3,474	4,087
Dividends per share	pence	**1.34**	1.90	1.40	1.00	0.45
Basic earnings per share	pence	**(12.90)**	7.33	12.97	1.86	2.24
Diluted earnings per share	pence	**(12.90)**	7.09	12.78	1.86	2.24
Triple net assets	pence	**53.39**	83.72	73.63	48.84	39.99
Ordinary shares in issue	number	**211,971,299**	211,971,299	187,218,824	187,218,824	185,823,377
Ordinary shares – mid market at 31 October	pence	**24.00**	71.50	80.00	41.75	32.50

The financial information shown above for the years 2006 to 2008 was prepared under IFRS. The information for prior years was prepared under UK GAAP. Consequently, certain data may not be directly comparable from one year to another.

Dividends per share comprise the interim dividend paid in the year plus the final dividend in respect of the year paid after the year end.

Shareholder information

Financial calendar

Annual General Meeting	2 April 2009
Half year results	July 2009
Full year results	February 2010

Shareholder analysis as at 31 October 2008

Size of holding	Number	Number of shares	%
1 – 1000	146	69,152	0.03
1,001 – 10,000	739	3,706,051	1.75
10,001 – 100,000	564	15,445,386	7.29
100,001 – 1,000,000	49	15,366,510	7.25
1,000,001 and over	14	177,384,200	83.68
	1,512	211,971,299	100.00

London Stock Exchange

The ordinary shares of the company are traded on the Alternative Investment Market of the London Stock Exchange with code THG.

2008 share price (pence per ordinary share)

1 November 2007	71.50
31 October 2008	24.00

Website

www.terracehill.co.uk

Directors and advisers

Directors
R F M Adair MA ACA CTA FGS (Chairman)
P A J Leech MRICS (Chief Executive)
J M Austen BSc FCA (Group Finance Director)
K M Hudson MA ACA (Non-Executive)
W P Wyatt (Non-Executive)
R W Dyson MSc FRICS (Non-Executive)

Secretary
M A Kelly LLB NP

Registered office
144 West George Street
Glasgow G2 2HG

Principal place of business
1 Portland Place
London W1B 1PN

Independent auditors
BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU

Registrars
Share Registrars Limited
Suite E
First Floor
9 Lion & Lamb Yard
Farnham
Surrey GU9 7LL

Nominated adviser
Oriel Securities Limited
125 Wood Street
London EC2V 7AN

Nominated broker
Oriel Securities Limited
125 Wood Street
London EC2V 7AN

Registered number
SC149799

ISO 14001
Produced at a mill that holds ISO 14001 certification

Fully recyclable and biodegradable

ECF

Elemental Chlorine Free

NAPM approved recycled product

The cover and the review section of this document are printed on Revive 75 comprising 50% de-inked post-consumer waste and 25% pre-consumer waste.

The accounts section of this document is printed on Revive 100 Uncoated which is made from 100% de-inked post-consumer waste.

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

Head office
1 Portland Place
London W1B 1PN
T: +44 (0)20 7631 1666
F: +44 (0)20 7631 1126
E: info@terracehill.co.uk
W: www.terracehill.co.uk

Bristol
16 Queen Square
Bristol BS1 4NT
T: +44 (0)117 9800 300
F: +44 (0)117 9800 309

Glasgow
144 West George Street
Glasgow G2 2HG
T: +44 (0)141 332 2014
F: +44 (0)141 332 2015

Teesside
Westminster
St Mark's Court, Teesdale
Stockton on Tees TS17 6QP
T: +44 (0)1642 243 444
F: +44 (0)1642 243 500

TERRACE HILL