Helical Bar plc Report and Accounts 2004

Helical Bar plc

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Contents

Corporate Statement

Helical Bar is a property development and investment company. Our objective is to maximise growth in assets per share using a recurring stream of development and trading profits to build up the investment portfolio.

Financial Highlights

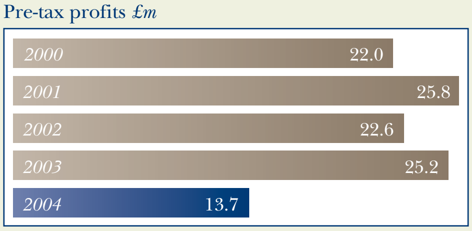
Five year summary

	31.03.04 £000	31.03.03 £000	31.03.02 £000	31.03.01 £000	31.03.00 £000
Rental income	25,283	*29,334*	*31,384*	*28,642*	*26,656*
Development profits	38	*4,630*	*17,072*	*29,507*	*19,345*
Adjusted profits before tax	11,677	*16,739*	*20,305*	*25,115*	*17,465*
Profit on sale of investment properties	2,035	*2,126*	*2,463*	*709*	*4,555*
Pre-tax profits	13,653	*25,227*	*22,573*	*25,824*	*22,020*
Investment portfolio	334,932	*342,484*	*439,911*	*453,607*	*419,570*
Shareholders' funds	245,023	*235,881*	*237,252*	*233,152*	*176,636*
Dividend per ordinary share	16.60p	*15.00p*	*13.75p*	*12.50p*	*11.15p*
Diluted earnings per share	39.60p	*59.20p*	*57.80p*	*67.70p*	*68.90p*
Adjusted diluted net asset value per share	874p	*770p*	*769p*	*754p*	*581p*
Adjusted diluted triple net asset value per share	797p	*702p*	*663p*	*655p*	*516p*

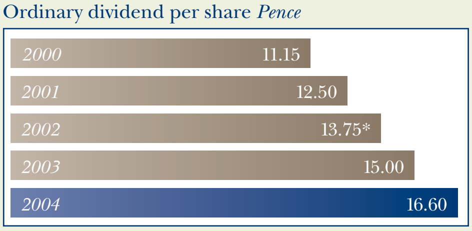
Portfolio split (by value)

	Offices %	Retail in-town %	Retail out-of-town %	Industrial %	Other %	Total %
Investment	35.4	6.3	12.1	26.8	0.1	80.7
Trading	0.5	0.0	0.1	5.6	0.9	7.1
Development	3.4	5.5	2.1	0.0	1.2	12.2
Total	39.3	11.8	14.3	32.4	2.2	100.0

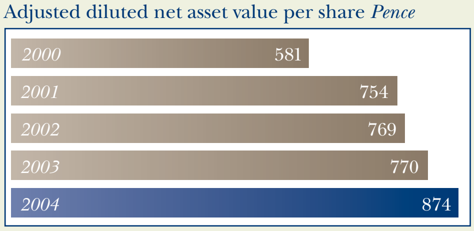
Pre-tax profits *£m*



Ordinary dividend per share *Pence*



Adjusted diluted net asset value per share *Pence*



*A special dividend of 100.00p per share was declared in respect of the year ended 31 March 2002.

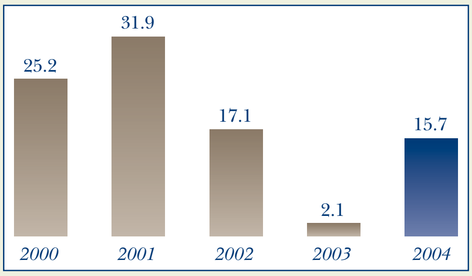
Performance Measures

In order to evaluate its overall performance against other small to mid-size capital companies, both here and abroad, Helical Bar looks at equity added value, shareholders' return and total shareholder return as shown below. The total return from activities and the performance of the property portfolio as measured by the Investment Property Databank are noted on page 3.

Equity value added

Year ended 31 March		2004	2003	2002	2001	2000
Capital employed	£m	348	*377*	*390*	*466*	*430*
Return on capital	%	11.5	*3.9*	*10.5*	*18.2*	*19.8*
Weighted average cost of capital	%	7.0	*6.1*	*6.3*	*5.9*	*6.0*
Spread	%	4.5	*(2.2)*	*4.2*	*12.3*	*13.8*
Equity value added/(lost)	£m	15.6	*(8.5)*	*19.6*	*52.9*	*43.7*

Shareholders' return %



Shareholders' return

Shareholders' return shows the increase in adjusted diluted net assets per share plus dividends paid and payable in respect of each year as a percentage of the adjusted diluted net assets per share at the start of each year.

	2004 pence	2003 pence	2002 pence	2001 pence	2000 pence
Increase in adjusted diluted net asset per share	104.00	*1.00*	*15.00*	*173.00*	*108.00*
Add: dividends	16.60	*15.00*	*113.75*	*12.50*	*11.15*
	120.60	*16.00*	*128.75*	*185.50*	*119.15*
Adjusted diluted net asset value per share at start of year	770	*769*	*754*	*581*	*473*
Shareholders' return	15.7%	*2.1%*	*17.1%*	*31.9%*	*25.2%*

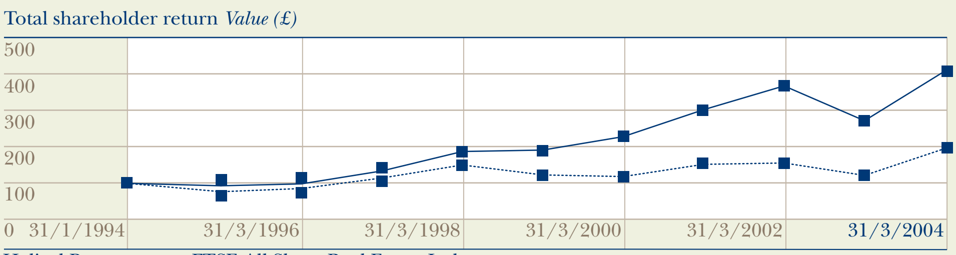
Total shareholder return

Total shareholder return measures the return to shareholders from share price movements and dividend income. The returns were as follows:

	1 year from 2003 % pa	3 years from 2001 % pa	5 years from 1999 % pa	10 years from 1994 % pa	15 years from 1989 % pa	20 years from 1984 % pa
Helical Bar plc	50.9	11.3	17.0	16.3	13.5	33.1
UK equity market	31.0	(3.8)	(2.7)	6.9	8.9	–*
Listed real estate sector index	61.7	8.8	9.8	8.8	5.6	–*
Direct property	10.9	9.1	10.5	10.6	8.3	10.3

Source: New Bridge Street Consultants/Datastream.

* Information not available.



Source: Thomson Financial.

This graph looks at the value, by 31 March 2004, of £100 invested in Helical Bar on 31 January 1994 compared with the value of £100 invested in the FTSE All-Share Real Estate Index. The other points plotted are the values at intervening period-ends.

Total return from activities

Total return from activities shows the annual portfolio movement plus net earnings before interest, tax and dividends and, for the year to 31 March 2003, negative goodwill.

Year ended 31 March	2004 000's	2003 000's	2002 000's	2001 000's	2000 000's
Portfolio valuation movements	24,162	*(13,434)*	*18,528*	*39,320*	*30,404*
Net earnings before interest, tax and dividends	20,225	*34,865*	*37,352*	*45,065*	*38,368*
Less: negative goodwill	–	*(6,362)*	–	–	–
Total return from activities	44,387	*15,069*	*55,880*	*84,385*	*68,772*

Investment Property Databank ("IPD")

Helical has compared its ungeared property performance against that of portfolios within the Investment Property Databank for the last 14 years.

Helical has outperformed all parties within the index over 5, 10 and 14 years. The returns on shareholder capital earned by Helical are generally higher than those measured by IPD due to the use of gearing.

IPD (monthly and quarterly valued funds) ungeared returns

Total returns in year to 31 March (%)	2004	2003	2002	2001	2000
Helical Bar	15.5	6.0	15.6	23.2	23.6
IPD Benchmark	12.8	9.9	7.0	9.9	15.1
Percentile rank	14	90	1	0	2

Total returns annualised (%)	3 years	5 years	10 years	14 years
Helical Bar	12.3	16.7	17.7	17.1
IPD Benchmark	9.9	10.9	10.3	7.9
Percentile rank	12	0	0	0

Note: "0" means the top ranked fund.

Chairman's Statement

Helical has completed the repositioning started in 2001. It has the skills, money and flexibility to act quickly to take advantage of opportunities. We look forward to the forthcoming cycle and aim to produce significant development and trading profits as we have done in the past.

This year has seen the completion of the repositioning started in 2001. Then we stopped new office development and began reducing the proportion that our portfolio represented in Central London offices from 80% down to below 40% today. As a result we avoided development losses and by a judicious sale and reinvestment programme shielded our balance sheet from the effect of falling rental levels in Central London. At the same time our move into new sectors has provided us with a portfolio of properties, both trading and investment, capable of producing substantial uplifts over the next three years. Future returns to shareholders should be further enhanced by £25m spent buying back over 11% of our share capital at an average price of 753p per share, a discount of 6% to our triple net asset value and 14% to our adjusted net asset value.

Results

Profits after tax this year fell to £11.5m from £17.6m mainly because, as foreseen, we made no development profits (2003: £4.6m). Diluted earnings per share as a result fell to 39.6p (2003: 59.2p). The revaluation surplus on the investment portfolio was £24m (2003: deficit £13m). The Group's adjusted net asset value per share rose by 14% to 874p (2003: 770p) and the adjusted triple net asset value (taking account of the contingent liabilities of deferred tax and the market value of financial instruments) also rose by 14% to 797p per share (2003: 702p). These figures take no account of any surplus on the £70m trading and development stock which are valued, in accordance with normal practice, at the lower of cost and net realisable value.

The encouraging prospects for 2004/2005 enable the Board to recommend to shareholders a final dividend of 10.0p per share (2003: 9.0p), an increase of 11%. This proposed dividend, together with the interim dividend of 6.6p (2003: 6.0p) paid in December 2003 makes a total dividend of 16.6p per share (2003: 15.0p). This is an increase of 11% on last year. The total dividend is covered over 2.5 times by profits after tax.

40 Berkeley Square, London W1

Government policy

We welcome the prospective introduction of Property Investment Funds (PIFs) which have the potential to give retail investors long overdue exposure to commercial property in a tax neutral manner. As we move through the consultation process, there is still much to be resolved. Too high a conversion tax charge or too many restrictions on subsequent activities such as development could yet leave this excellent initiative stillborn.

Meanwhile, continued high levels of stamp duty and the threat of intervention in the structure of leases only serve to undermine the efficient workings of the marketplace. In addition the Government is increasingly trying to use the planning system to raise revenue beyond the immediate impact of the proposed development in question.

The future

The world has come out of the slowdown of the early 2000s and is set for a year of good growth. Most importantly availability of vacant space in what has historically been our main market, London offices, is now beginning to fall. Commercial property is in increasing favour with institutions and there is considerable money seeking a home therein.

Through a mixture of investments and developments we now have over 30 active projects spread across all commercial property sectors. The retail, industrial and change of use schemes should deliver good growth over the next two to three years while in the longer term we look to our office development programme which we are building up in London and the South East.

Despite the current raft of economic good news the world is still an uncertain place where shocks may happen. Should they arise, Helical has the skills, money and flexibility to act quickly to take advantage of such opportunities. In the meantime we look forward to the forthcoming cycle and aim to produce significant development and trading profits as we have done in the past.

John Southwell
Chairman

Development Programme

It is our objective to provide a continuing flow of development profits from pre-let and speculative office, retail and industrial schemes in partnership with funding institutions. Whilst a small number of schemes are financed with bank funding and, therefore, remain on our balance sheet, the majority of our schemes are forward sold to institutional investors. This policy has a significant effect on our return on capital employed and has enabled us to create and sustain one of the largest development programmes in the country.


The Heights, Weybridge

Helical's development objective is clear. The Group seeks to recreate the profit streams achieved from office and retail developments over the last 10 years by focusing on large Central London office schemes, major mixed use developments and retail schemes. As in the last cycle it is anticipated that the retail schemes will contribute to development profits before the larger office and mixed use schemes come on stream.

Offices

The year to 31 March 2004 marked both the end of one office development cycle and further progress in preparation for the next one. The completion of 40 Berkeley Square London W1, in March 2004, is notable as the building is the most prime office building yet constructed by Helical. Good progress has been made in letting the space.

The Group is now busy looking for tenants for its completed developments at the Meadows Camberley, The Heights Weybridge, The Waterfront Business Park Fleet and 40 Berkeley Square London W1. At the same time it is progressing plans for exciting new development opportunities in London and the South East.

Completed office developments

The Heights, Weybridge
The Heights, Weybridge is a 22 acre office campus development of the highest quality comprising 337,000 sq.ft. of speculative space in five distinct buildings. The scheme which is adjacent to the UK headquarters of Proctor & Gamble was completed in April 2003 and is forward funded with Prudential Portfolio Managers. During the year, 16,000 sq.ft. was let to Kia Motors with terms agreed with another party for a further 24,000 sq.ft. Funded on a profit erosion basis there is an exposure to a small loss subject to the outcome of future lease negotiations.

Development schemes – Completed developments available to let

Offices	Completion	Size Sq.ft.	Funding institution	Tenants	Space let Sq.ft.
West End					
40 Berkeley Square, London W1	March 2004	75,000	Morley	The Blackstone Group, Caxton Europe Asset Management	28,500
Thames Valley					
The Meadows, Camberley	March 2002	140,000	Scottish Widows	British Cement Association	23,000
The Waterfront Business Park, Fleet	Oct 2002	56,000	Aberdeen Property Investors	One building sold to Conair, Hedra Plc	18,000
The Heights, Weybridge	April 2003	337,000	Prudential Portfolio Managers	Kia Motors	16,000

The development process

The success of Helical's development programme is dependent upon finding good sites in attractive locations at the right time in the economic cycle which our partners, the institutions that buy the developments from us, are happy to fund. Typically, once a site is found and plans are drawn up for a scheme, the Company will enter into discussions with financial institutions that wish to purchase new developments. These institutions may be pension funds, insurance companies, unit trusts or investment funds. Once a funding contract is signed the development process can continue with the institution funding the acquisition of the site and the construction of the development. Helical makes its profit from completing the development within the budget provided by the funding agreement and finding tenants for the completed building as soon as possible.

In general, the earlier that acceptable terms can be agreed with a tenant, the greater the level of development profit availa ble to the Company. If no tenant is found within a period of time established in the funding agreement, the Company's involvement in the development ceases.

This development process has two main characteristics which allow Helical to operate a larger development programme than would otherwise be the case. First, the Company's cash outlay is minimised being usually limited to legal fees, planning fees and option payments. This has a significant effect on our return on capital employed. Secondly, the Company's ability to walk away from a development at the end of the process if a tenant is not found without incurring ongoing expenditure reduces its exposure to significant development losses.

Development schemes – Future programme

Offices	Approximate start date	Size Sq.ft.
City		
Mitre Square, London EC3		350,000
Ropemaker Place, London EC2	2004/2005	500,000
Central London – mixed use		
Wood Lane, White City	2006+	43 acres
Thames Valley		
Amen Corner, Bracknell	2007	500,000
Retail/mixed use		
Friary Retail Park, Stafford	2004	38,500
Bluebrick, Wolverhampton	2005	170,000
Hatters Retail Park, Luton	2005	105,000
Shrub Hill, Worcester	2005	35,000
Shirley, Solihull	2006	155,000
Trinity Square, Nottingham	2005	235,000
Commercial Road, Bournemouth	2005	47,000

Development Programme
continued

The Meadows, Camberley

The Meadows, Camberley funded by Scottish Widows, comprises four office buildings totalling 140,000 sq.ft. located by the Blackwater railway station, Camberley opposite the Meadows Retail Park. During the year one building, of 23,000 sq.ft., was let to the British Cement Association. The other three buildings remain available to let. The development was forward funded on a profit erosion basis and no loss is expected to arise.

The Waterfront Business Park, Fleet

Since completing the three building office scheme in October 2002 the smallest building of 12,000 sq.ft. was sold to the Conair Group for its own occupation. The second floor of Building I has been let to Hedra Plc leaving two floors still available. In addition, Building II, which overlooks the Fleet Pond Nature Reserve, and comprises 26,700 sq.ft. is also available. Funded on a profit erosion basis no provision for future losses is considered necessary.

40 Berkeley Square, London W1

40 Berkeley Square is a prime office development of 75,000 sq.ft. on the west side of Berkeley Square. Comprising eight floors of high specification offices, the building has been developed in a joint venture with owners Morley Fund Management. The top three floors, comprising 19,500 sq.ft., were let to The Blackstone Group in December 2002 at a rent of £80 p.s.f. Since the development was completed in March 2004, a further floor of 9,000 sq.ft., has been let to Caxton Europe Asset Management at the same rent.

Future office development programme

Mitre Square, London EC3

A joint planning application, with Ansbacher Property Development Ltd, has been submitted to the City Planning Department for an office scheme comprising 350,000 sq.ft.

Mitre Square,
London EC3

Ropemaker Place, London EC2

Ropemaker Place, London EC2
A joint planning application, with owners DB Real Estate, for a new building of approximately 500,000 sq.ft. gross was approved by the London Borough of Islington in December 2003. Helical are acting as Development Manager for DB Real Estate.

Wood Lane, White City
Helical, jointly with Morley Fund Management, acquired a 10 acre site from Dairy Crest in late 2002. Since then Helical and Morley have teamed up with neighbouring landowners to form the White City Partnership promoting the regeneration of 43 acres of land at White City for a major mixed use development. The adjoining owners include the BBC and Land Securities, Marks & Spencer and Lattice Group Pension Fund. The sites lie immediately to the north of Chelsfield's proposed 1.3m sq.ft. shopping centre at White City between the West Cross Route and Wood Lane. Since the sites' designation as an Opportunity Area in the London Plan the Greater London Authority and Hammersmith & Fulham have published "White City Opportunity Area – A Framework For Development" which has been out for public consultation. The document proposes supplementary planning guidance to the Unitary Development Plan promoting their vision that the area be transformed into a thriving new, mixed use, urban quarter.

The White City Partnership is now working to develop a comprehensive masterplan for the site.

Amen Corner, Bracknell
Helical acquired a number of residential properties and options over land at Amen Corner, Bracknell. The Company has been working with Bracknell Forest Borough Council to promote the site for development and this resulted in the publication of the draft "Policy and Planning Framework for Amen Corner" in December 2003. Negotiations are continuing with the authority to bring this site forward for commercial/residential development.

Development Programme
continued

Retail developments

Helical's retail development programme has expanded significantly in the last year. The joint ventures with Oswin Developments and Overton Developments have made good progress in respect of a number of promising opportunities.

The two retail developments completed by Oswin Developments were at Accrington and Carmarthen.

Market Square, Accrington
Market Square, Accrington is a new town centre development of 62,000 sq.ft. comprising 11 shops including stores for Wilkinsons, JJB and Poundland. Forward sold to private investor Bilsdale Properties Ltd the scheme was completed and handed over at the end of 2003.

Towy Retail Park, Carmarthen
Towy Retail Park, Carmarthen is a development of two stores totalling 35,000 sq.ft. for PC World and Currys. Funded by private Irish investors the scheme was completed in January 2004.

Towy Retail Park, Camarthen

Future retail development programme

Retail developments planned with Oswin Developments are as follows:

Friary Retail Park, Stafford
Friary Retail Park, Stafford is a retail scheme where building work commenced in May 2004. The scheme comprises 38,500 sq.ft. of open A1 retail warehousing and pre-lets have been secured with PC World, TK Maxx and Choices Video. The scheme is due for completion in November 2004.

Bluebrick, Wolverhampton
The former low level station site comprising 11 acres was purchased in November 2003 and a mixed use scheme is being progressed to comprise a car showroom, hotel, public house, and approximately 140 residential units. A planning application is due to be submitted in Summer 2004 with a view to commencing on site in early 2005.

Hatters Retail Park, Luton
A planning application is being progressed for a retail park of 80,000 sq.ft. and industrial units of 25,000 sq.ft. The proposals are due to be considered by the Local Planning Authority in Summer 2004.

Shrub Hill, Worcester
A contract has been signed with First Bus subject to relocating the existing bus depot. The site has the benefit of a planning consent for 35,000 sq.ft. of retail warehousing and a residential development of 46 units. Negotiations are in hand for a joint venture development with neighbours, St. Modwen Developments.

Town Centre Scheme, Shirley, Solihull
Working jointly with Coltham Developments Ltd, Helical Retail and Oswin Developments have been appointed by Solihull Metropolitan Borough Council to promote a regeneration of Shirley Town Centre. The mixed use scheme is likely to comprise a 75,000 sq.ft. anchor foodstore, 80,000 sq.ft. of retail units, restaurants, community facilities and 150 apartments. The design of the scheme is being worked up with a view to submitting a planning application in late 2004.

Development Programme
continued


Trinity Square, Nottingham

Future retail developments planned with Overton Developments are at Nottingham and Bournemouth.

Trinity Square, Nottingham
Trinity Square is a retail led mixed-use development in the heart of the city centre shopping district adjoining the Victoria Centre. Comprising approximately 175,000 sq.ft. of retail space, 60,000 sq.ft. of leisure and restaurants, 500 residential units and 450 parking spaces it will be a dramatic landmark building constructed of glass and steel offering double height retail frontages. Planning permission was obtained in March 2004 for the development, and construction is due to commence at the beginning of next year in time for trading at Christmas 2006. Contracts have already been exchanged with TK Maxx (55,000 sq.ft.) and Borders Books (25,000 sq.ft.) and there is considerable interest from other retailers.

Commercial Road, Bournemouth
Commercial Road, Bournemouth is an existing retail property bought in September 2003. The property, which had passing rent of just under £1m on completion, is to be substantially redeveloped once vacant possession has been obtained of most of the units. It is expected that work will start on site in October 2004 and in anticipation of this negotiations are continuing with a number of high street retailers with a view to agreeing pre-lets. Once redeveloped, the property will consist of four units comprising 47,000 sq.ft. of prime retail space.

Residential developments

The Group has from time to time acquired sites and created value through obtaining planning consents for retirement villages.


Lime Tree Village, Rugby

Lime Tree Village, Dunchurch, Rugby
This development involves the refurbishment of a Victorian country house and the construction of 150 bungalows, cottages and apartments for retirement. The first phase of 50 homes is under construction with 28 sold or reserved.

Bramshott Place, Liphook
Planning negotiations continue for a retirement village development comprising 144 apartments, cottages and bungalows. Subject to planning, work is due to start in 2005.

Gerald Kaye
Development Director

Investment Portfolio

Our investment philosophy is based on four guiding principles.

Helical actively manages its investment portfolio, rotating between sectors to maximise its exposure to growth stock. Gearing is used on a tactical basis, being raised to accentuate property performance when property returns are judged to materially outperform the cost of debt. The average number of properties held is kept small to facilitate fast repositioning of the portfolio and encourage management focus on key assets. Finally, there is a preference for multi-let stock where value can be added through refurbishment and lease restructuring.

Sawston, Cambridge

The investment portfolio had a satisfactory year with a valuation uplift of 8.4%, an unleveraged total return of 16.8% and a fifth percentile ranking as measured by IPD (against all quarterly and monthly valued funds for the year to 31 March 2004). Retail property performed particularly well with a total return of 26.2%, with industrials 16.2% and offices 14.4%.

Over the last seven years we have sold £516m of investment property representing turnover of 174% based on the current size of the investment portfolio. In every year we have exceeded valuations on sales, but the average surplus of just 2% over book values emphasises the accuracy of our valuations.

Retail

Asset management has been the key driver to our returns. At our shopping centre in Letchworth we have carried out a number of lettings at 40% above levels pertaining at the time of our purchase in 2003 following the change of anchor tenant from Kwik Save to Marks & Spencer. In our retail park at Weston we have secured lease extensions with Focus and Dunelm, the two anchor tenants, and increased their rents in aggregate by 79%. In our park in Sevenoaks, we have also extended the lease to Wickes, the anchor tenant, and guaranteed an uplift of 33% in rent passing in 2006. At Chiswick we have secured planning consent for a residential development to the rear of our holding and agreed terms for a new long lease to WH Smith with a 28% rental increase. The final strong retail performer was our supermarket at Wednesfield where the valuation increased by 40% to reflect the terms of an agreed sale. The property has now been sold for £18.36m, 60% above the purchase price of £11.5m in December 2001. We also sold a retail park in Sprucefield (in which we had a 50% interest) for £16.2m (4% above valuation and 26% above the 2001 purchase price).

Investment Portfolio
continued

Valuation yields	Initial	2005	2006	Reversionary	Equivalent	True equivalent
Offices	7.7%	8.4%	9.2%	7.8%	8.0%	8.4%
Industrial	8.2%	8.9%	9.1%	9.8%	9.2%	9.7%
Out-of-town retail	5.9%	6.3%	6.6%	6.9%	6.7%	7.0%
In-town retail	6.1%	7.1%	7.6%	9.0%	8.1%	8.6%
Total	7.4%	8.1%	8.6%	8.4%	8.2%	8.6%

Investment portfolio	Valuation movement	ERV movement	Total return	Average unexpired term
Offices	+5.7%	–5.9%	+14.4%	9.8
Industrial	+6.0%	+1.0%	+16.2%	7.8
Out-of-town retail	+19.0%	+8.9%	+26.7%	16.2
In-town retail	+16.1%	+18.8%	+25.2%	8.6
Total	+8.4%	+0.5%	+16.8%	9.7

Morgans Department Store, Cardiff

Offices

The uplift in value in our office portfolio was due to covenant enhancements, lease restructurings and lettings. At the Interchange in Camden we secured Associated Press as surety to the lease in consideration for five months rent free and subsequently exchanged contracts to sell the property for £21.5m. This was 10% above last year's valuation and 52% above the purchase price of £14.4m in 1999. At Paris Gardens in Southwark, SE1 we secured the main UK subsidiary of the world's leading disaster recovery company, Sungard Systems Data Inc, as tenant for a further 16 years. This has led to a valuation increase of 30%. Our only provincial office building in High Wycombe gained an 18% valuation increase following a lease restructuring of the main lease to Staples. At Rex House, SW1 a restaurant has been sold on a long lease for £1.9m resulting in a small increase in value. At Shepherds Building in Shepherd's Bush we have opened a bar and created some smaller studio units. During the year we have let over 32,000 sq.ft. with a further 8,000 sq.ft. under offer, leaving a residual vacancy rate of 40% – our only office void in London.

Sales of office buildings completed during the year were Capital House NW1 for £41m (in line with valuation, 75% over purchase price in 1998), a portfolio comprising the Rotunda Camden, 71 Kingsway WC2 and the Waterfront in Fleet for £33.25m (4% above valuation and 45% above purchase prices 1998-2000) and 5-10 Bury Street EC3 for £8.5m (10% above valuation and 100% above the 1997 purchase price).

Bar at Shepherds Building, London W14

Industrial and trading properties

Our industrial investment property had a steady year with rental values edging forward. Capital appreciation was driven by the market's yield re-rating for higher yielding property. Many of our more active industrial assets are trading properties, held at the lower of cost or value, and where the performance will only be crystallised on sale. These include refurbishment and redevelopments designed for owner occupier sales at premium prices. Schemes in progress are 127,000 sq.ft. in Harlow (39% sold, 32% under offer), 135,000 sq.ft. in Slough (20% under offer), 46,000 sq.ft. in Sawston, Cambridge (38% under offer) and 36,000 sq.ft. in Edenbridge (15% under offer). We also hold industrial assets in Fleet (5 acres), Dunstable (5 acres) and Great Alne, Warwickshire (20 acres) where we are hopeful of crystallising value by obtaining residential or retirement home consents.

Studio at Shepherds Building, London W14

Investment Portfolio
continued

Royal Arcades, Cardiff

At the Bus Depot at Winterhill, Milton Keynes a planning consent has been obtained for a new 80,000 sq.ft. retail warehouse which has been prelet to Homebase. This scheme is in the course of institutional funding with construction scheduled to start later this year.

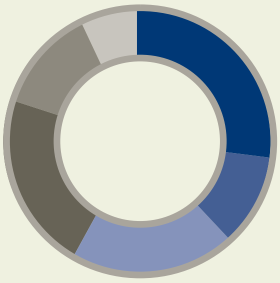
Purchases

The current highly competitive investment market has made high margin acquisitions difficult to achieve. During the year we acquired a 235,000 sq.ft. industrial estate at Sawston, Cambridge for £10m yielding 9% but including a 3 acre site which we are now developing. Industrial trading purchases were acquired at Edenbridge for a refurbishment scheme and at Great Alne where we are making good progress in securing a consent for a retirement homes village. We purchased three separate long leasehold interests in the Leisure Plaza at Milton Keynes to consolidate the ownership of this 119,000 sq.ft. scheme on a 5 acre site with residential and retail potential. We acquired a Wickes retail warehouse in Worthing with an open A1 consent where the passing rent of £10.75 p.s.f. is much lower than rental evidence emerging along the south coast. We have also exchanged conditional contracts subject to receiving retail planning consent on a motor trade site in Weston-super-Mare where we have prelet the proposed development to Wickes DIY.

The most significant acquisition of the year was the Morgans department store together with Morgans and Royal Arcades in Cardiff. This 235,000 sq.ft. holding has been in family ownership for 124 years and presents an opportunity to subdivide the department store to create larger shop units and actively manage the arcades. The property is directly opposite Land Securities and Capital Shopping Centres' proposed 750,000 sq.ft. St. Davids 2 retail development which we believe will transform the trading pitch over the next five years. The purchase price of £29m is payable in March 2005.

Whilst we would like to step up the pace of our acquisitions we are unwilling to rely on further yield shift to underpin returns. We do, however, take heart in the gradual recovery of the occupational markets which should, over time, provide more opportunities in our usual sphere of high margin added-value deals.

Office split 2004
by locations



West End *27%*	Southwark *22%*
City *11%*	Camden *13%*
West London *20%*	South East *7%*

Investment Properties

London offices

	Size (sq.ft.)	Average passing rent (p.s.f.)	Vacancy rate	Year acquired	Comments
Rex House SW1	80,000	£56	0%	2000	Leasehold expires 2035
Shepherds Building W14	152,000	£22	40%	2000	
66 Prescot St E1	110,000	£22	0%	2001	50% ownership
61 Southwark St SE1	65,000	£18	0%	1998	Rent reviews 2004 on 32,000 sq.ft.
4/5 Paris Gardens SE1	45,000	£25	0%	1998	Rent increases to £30 p.s.f. 06/05.
Interchange NW1	65,000	£32	0%	1999	Sale exchanged. Completion 09/05.
	517,000	£29	12%		

South East offices

Westfields House, High Wycombe	27,000	£16	7%	2001	

Out-of-town retail

Weston Retail Pk, Weston-super-Mare	140,000	£11	0%	1999	75% ownership
Sainsbury Superstore, Wednesfield	69,000	£10	0%	2001	Sold 4 June 2004 75% ownership
Otford Road Retail Pk, Sevenoaks	43,000	£14	0%	2003	75% ownership
Homebase, St. Austell	36,000	£8	0%	2002	75% ownership
Wickes, Worthing	26,000	£11	0%	2003	75% ownership
	314,000	£11	0%		

Town centre retail

Morgans Department Store, Cardiff	170,000	–	100%	2005	Purchase completes 03/05
Morgan & Royal Arcades, Cardiff	65,000	£40ZA	0%	2005	Purchase completes 03/05
Garden Square, Letchworth	165,000	£35ZA	10%	2003	New lettings @ £50 p.s.f. ZA
WH Smiths, Chiswick	5,000	£85ZA	0%	2000	Residential site at rear
	405,000	£40ZA	46%		

Investment Portfolio
continued

Barrows Road, Harlow

Industrial

Address	Size (sq.ft.)	Average passing rent (p.s.f.)	Vacancy rate	Year acquired	Comments
Aycliffe Portfolio	1,570,000	£2.70	21%	1987	
Peterlee Portfolio	700,000	£3.00	26%	1987	
Hawtin Park, Blackwood	251,000	£2.85	0%	2003	
Sawston, Cambridge	235,000	£4.30	0%	2003	67% ownership
Avonbridge, Avonmouth	234,000	£4.85	14%	1995	Leasehold expires 2071
Walton Summit, Preston	143,000	£4.00	0%	1990	
Standard Estate, Woolwich	105,000	£7.40	44%	2002	70% ownership
Golden Cross, Hailsham	102,000	£5.00	0%	2001	
Waterside, Fleet	54,000	£7.00	9%	1999	Residential potential
	3,394,000	£3.40	17%		

Other

Cardiff Royal Infirmary – Vacant hospital on a peppercorn lease with redevelopment potential.

Trading properties

Address	Description	Year acquired	% ownership
Bus Depot, Milton Keynes	Optioned site, pre-let to Homebase (80,000 sq.ft.) with planning consent	2001	50%
Leisure Plaza, Milton Keynes	119,000 sq.ft. leisure scheme with potential for residential or retail use	2003	50%
Mill Street, Slough	164,000 sq.ft. industrial in course of redevelopment to create 13 units	2002	90%
Barrows Road, Harlow	125,000 sq.ft. industrial estate in course of refurbishment and redevelopment for owner occupier sales	2002	80%
Great Alne	314,000 sq.ft. industrial estate on a 20 acre site with potential for a retirement home village use	2004	100%
Edenbridge	36,000 sq.ft. industrial estate in course of refurbishment for owner occupier sales.	2004	50%
Southfield Road, Dunstable	103,000 sq.ft. vacant shed with residential potential plus a let 34,000 sq.ft. office	2002	100%
2/6 Curtain Road, London EC2	7,000 sq.ft. office forming part of a 700,000 sq.ft. development site	2001	50%
Computer Centre, Wythenshawe	111,000 sq.ft. mainly vacant computer centre. Leasehold expiring 2067	2002	50%

Entire portfolio
Cash flow yields to Helical

	Initial	Reversionary	Equivalent	True equivalent
Investment	7.8%	8.8%	8.6%	9.0%
Trading	3.3%	11.1%	9.4%	10.0%
Development	1.9%	7.7%	7.3%	7.7%
Total	6.7%	8.8%	8.5%	8.9%

Michael Brown
Investment Director

Financial Review

Profits
Adjusted profits before tax, excluding exceptional items and negative goodwill, fell to £11.7m (2003: £16.7m). Profits after tax and minority interest fell to £11.2m (2003: £17.4m).

Rental income
Net rental income for the year fell to £23.0m (2003: £25.6m) as the Group sold further Central London office investments. During the year £82m of investment properties, yielding £7.1m of rental income were sold. £45m was used to add to the investment portfolio of which £29m was the cost of buying the Morgan Department Store in Cardiff, not payable until March 2005. £25m was used to purchase income producing properties to be redeveloped or traded. Excluding the Morgan Department Store these produce a passing rent of £2.1m. Rent reviews and new lettings, net of lease expiries and rent free periods, added rental income of £1.4m on the remaining portfolio.

Rental costs fell from £3.7m to £2.3m, reflecting lower voids at Shepherd's Bush and recovery of costs from tenants.

Trading and other profits
Trading profits of £1.0m were up on last year (2003: £0.3m) and came from the sale of a number of small industrial units in Harlow purchased in 2002 and refurbished during the year. The Group also sold Tudor House, Cardiff, a refurbished office building of 14,000 sq.ft.

Development profits
Negligible profits were generated by the Group's funded development programme (2003: £4.6m) which continued to reflect the downturn in the Central London office market. The only contributor to profits was the pre-let and pre-funded retail development at Towy Retail Park, Carmarthen.

Developments	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Profits	38	*4,630*	*17,072*	*29,507*	*19,345*

Administrative expenses
Administrative expenses, before the exceptional negative goodwill credit in 2003, increased by 25% from £6.4m to £8.0m due to an increased level of performance related bonuses. Administrative expenses, before goodwill and executive bonuses increased slightly to £6.0m (2003: £5.9m).

Profit on sale of investment properties
During the year to 31 March 2004 the Group sold £82.2m (2003: £131.2m) of investment property on which it made £2.0m (2003: £2.1m) of profit over book value and sale costs. The properties sold included office investments at Capital House, London NW1, The Rotunda, Camden NW1, 67-75 Kingsway, London WC2, Bury Street, London EC3 and the Waterfront Business Park, Fleet.

Net interest payable
The sales programme started in 2001 and the subsequent lower level of gearing has resulted in a much reduced interest charge of £9.3m (2003: £11.9m). Interest received fell from £2.2m to £1.1m as interest was no longer received on the cash held on deposit against the pre-sale of 3 Bunhill Row, EC1. Interest of £1.8m (2003: £0.8m) was capitalised reflecting the much increased holding of non-income producing development sites.

Net interest payable	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Interest payable on bank loans	7,548	*9,543*	*14,804*	*19,514*	*17,893*
Other interest payable	1,741	*2,351*	*3,215*	*1,343*	*2,350*
Finance arrangement costs	170	*783*	*408*	*572*	*365*
Interest capitalised	(1,817)	*(795)*	*(1,006)*	*(1,597)*	*(2,661)*
Interest receivable	(1,070)	*(2,244)*	*(2,642)*	*(591)*	*(1,563)*
Loan termination costs	–	–	–	–	*(36)*
	6,572	*9,638*	*14,779*	*19,241*	*16,348*

Financial Review
continued

Taxation
The corporation tax charge for the year is less than the standard rate of 30% due to the use of capital allowances, tax losses and the impact of indexation allowances against chargeable gains arising on the sale of investment properties. The deferred tax credit for the year reflects a full provision for capital allowances claimed in previous years which is more than offset by a reduction in previous year's provisions where investment properties have been sold and there is no longer a potential for the clawback of the allowances claimed to date.

Dividends
The Board is recommending to shareholders at the Annual General Meeting on 28 July 2004 a final dividend of 10.00p per share (2003: 9.00p) to be paid on 29 July 2004 which, with the interim dividend of 6.60p, makes a total of 16.60p. This is an increase of 11% on the previous year's dividend of 15.00p. This is covered over 2.5 times by profits after tax.

Dividends	2004 pence	2003 pence	2002 pence	2001 pence	2000 pence
Interim	6.60	*6.00*	*5.50*	*5.00*	*4.40*
Final	10.00	*9.00*	*8.25*	*7.50*	*6.75*
	16.60	*15.00*	*13.75*	*12.50*	*11.15*
Special	–	–	*100.00*	–	–
	16.60	*15.00*	*113.75*	*12.50*	*11.15*

Earnings per share
Earnings per share in the year to 31 March 2004 were 40.9p (2003: 61.2p) per share and on a diluted basis were 39.6p (2003: 59.2p) per share.

Earnings per share	2004 pence	2003 pence	2002 pence	2001 pence	2000 pence
Earnings per share	40.9	*61.2*	*60.0*	*70.0*	*55.0*
Diluted earnings per share	39.6	*59.2*	*57.8*	*67.7*	*53.7*

Investment portfolio
During the year the Company continued to replace Central London offices with retail and industrial properties with greater potential for capital growth. Investment properties with a book value of £82m were sold and partly replaced by £45m of new properties at Sawston Cambridge, Cardiff and Worthing. In addition around £5m of capital expenditure was spent on refurbishing various office, industrial and retail buildings. At 31 March 2004 there was a revaluation surplus of £24.2m (2003: deficit £13.4m) on the investment portfolio.

Investment portfolio	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Cost or valuation at 1 April	342,484	*439,911*	*453,607*	*419,570*	*332,457*
Additions at cost	50,464	*47,175*	*32,838*	*24,341*	*163,029*
Disposals	(82,178)	*(131,168)*	*(65,062)*	*(29,624)*	*(106,320)*
Revaluation	24,162	*(13,434)*	*18,528*	*39,320*	*30,404*
Cost or valuation at 31 March	334,932	*342,484*	*439,911*	*453,607*	*419,570*

Net asset values

The retained profits of £7.0m (2003: £13.1m) plus the revaluation surplus of £24.2m (2003: deficit £13.4m) and movements in minority interest less the purchase of own shares of £21.5m led to an increase in net assets to £248.7m (2003: £238.5m).

In calculating the net assets per share a provision has been made for the deferred tax which would become payable should all the capital allowances claimed to date be clawed back as a taxable adjustment in the Group's tax computations. The Group believes this clawback is unlikely and accordingly, has calculated the diluted net asset value assuming this not to be the case in line with current practice. Adjusted diluted net assets per share of 874p compare to 770p in 2003. After allowing for the unprovided deferred tax on revaluation surpluses and the value ascribed to financial instruments, the adjusted diluted triple net asset value of the Group has increased from 702p to 797p at 31 March 2004.

Net asset values per share	2004 pence	2003 pence	2002 pence	2001 pence	2000 pence
Diluted net asset value – 1	874	*770*	*769*	*754*	*581*
Diluted net asset value – 2	797	*702*	*663*	*655*	*516*

1 – net asset value diluted for share options but adding back the provision of deferred tax on clawback of capital allowances.
2 – net asset value diluted for share options and adjusted for unprovided deferred tax, FRS13 value of financial instruments but adding back the provision of deferred tax on clawback of capital allowances.

Borrowings and financial risk

The Group's ongoing reduction in its exposure to the Central London office market has continued the reduction in debt and, at 31 March 2004, net debt had fallen to £129.8m from £140.9m. The Group's net gearing fell to 52% from 59% at 31 March 2003.

Net debt and gearing	2004	2003	2002	2001	2000
Net debt	£129.8m	*£140.9m*	*£152.4m*	*£232.8m*	*£243.1m*
Gearing	52%	*59%*	*64%*	*99%*	*131%*

The Company seeks to manage financial risk by ensuring that there is sufficient financial liquidity to meet foreseeable needs and to invest surplus cash safely and profitably. At the year end, Helical had £37m of undrawn bank facilities and cash of £18.3m (2003: £16.1m). In addition it had £135m of uncharged property on which the Group could borrow funds.

As at 9 June 2004 Helical's average interest rate was 5.6%.

FRS13 requires disclosure of financial instruments on a fair value basis and at 31 March 2004 an adjustment to reflect this basis would reduce net assets, after tax relief, by £2.0m (2003: £5.1m) which, if provided for, would reduce diluted net assets by 7p per share (2003: 15p).

Shares purchased for cancellation

Using the authority granted at the 2002 AGM, the Company purchased, in July 2003, 150,000 ordinary 5p shares at 680p per share for cancellation. Following the renewal of the authority at the 2003 AGM the Company embarked on a share purchase programme and in the year to 31 March 2004 increased the numbers of shares purchased to 2,905,951 at a cost of £21.5m, an average price of 740p per share.

On 31 March 2004 the Company gave instructions to its broker, Cazenove, to commence an irrevocable non-discretionary programme to repurchase its own shares during the close period from 8 April 2004 to 21 May inclusive. During that period a further 460,000 shares were purchased at an average cost of 834p per share.

The total number of shares purchased since 1 April 2003 is 3,365,951, approximately 11.3% of the share capital in issue prior to the start of the purchases, at a total cost of £25.4m and an average cost of 753p per share. This average cost is at a 14% discount to adjusted net asset value of 874p per share and a 6% discount to "triple net" asset value of 797p per share. The number of shares in issue has reduced from 29,913,476 to 26,687,903 (including 140,378 shares issued on the exercise of an option in December 2003).

Nigel McNair Scott
Finance Director

Helical Bar plc and subsidiary undertakings for the year ended 31 March 2004
Consolidated Profit and Loss Account

	Note	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Turnover (including share of joint ventures' turnover)		55,984	*136,758*
Less: share of joint ventures' turnover		(1,418)	*(1,566)*
Turnover	2	54,566	*135,192*
Cost of sales		(29,916)	*(103,968)*
Gross profit	2	24,650	*31,224*
Administrative expenses			
– administration	3	(8,037)	*(6,391)*
– negative goodwill	3	–	*6,362*
Operating profit		16,613	*31,195*
Share of operating profit in joint ventures		1,636	*1,544*
Profit on sale of investment properties	4	2,035	*2,126*
Loss on sale of subsidiary		(59)	*–*
Profit on ordinary activities before interest		20,225	*34,865*
Net interest payable and similar charges	5	(6,572)	*(9,638)*
Profit on ordinary activities before taxation		13,653	*25,227*
Tax on profit on ordinary activities	6	(2,199)	*(7,660)*
Profit on ordinary activities after taxation		11,454	*17,567*
Equity minority interests		(232)	*(160)*
Profit for the year		11,222	*17,407*
Dividends paid and proposed	7	(4,263)	*(4,275)*
Retained profit for the year	22	6,959	*13,132*
By company	8	30,157	*43,234*
By subsidiaries		(23,569)	*(30,432)*
By joint ventures		371	*330*
Earnings per share	9	40.9p	*61.2p*
Diluted earnings per share	9	39.6p	*59.2p*

The notes on pages 26 to 42 form part of these financial statements.

Helical Bar plc and subsidiary undertakings at 31 March 2004
Balance Sheets

	Note	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Fixed assets					
Intangible assets	10	873	912	–	–
Tangible assets	11	335,435	343,098	503	614
Investments	12	10,106	9,011	18,443	12,329
Investment in joint ventures		719	1,762	–	–
– share of gross assets		17,684	23,244	–	–
– share of gross liabilities		(16,965)	(21,482)	–	–
		347,133	354,783	18,946	12,943
Current assets					
Stock	13	70,254	41,112	92	–
Debtors	14	25,573	25,793	162,839	183,032
Investments	15	263	13	–	–
Cash at bank and in hand	16	18,284	16,137	10,511	345
		114,374	83,055	173,442	183,377
Creditors: amounts falling due within one year	17	(78,662)	(85,643)	(5,016)	(18,246)
Net current assets/(liabilities)		35,712	(2,588)	168,426	165,131
Total assets less current liabilities		382,845	352,195	187,372	178,074
Creditors: amounts falling due after more than one year	18	(131,779)	(110,992)	–	–
Provisions for liabilities and charges	20	(2,345)	(2,706)	(90)	(69)
		248,721	238,497	187,282	178,005
Capital and reserves					
Called-up share capital	21	1,357	1,496	1,357	1,496
Share premium account	22	35,900	35,271	35,900	35,271
Revaluation reserve	22	89,323	93,599	–	–
Capital redemption reserve	22	7,246	7,101	7,246	7,101
Other reserves	22	291	291	1,987	1,987
Profit and loss account	22	110,906	98,123	140,792	132,150
Equity shareholders' funds		245,023	235,881	187,282	178,005
Equity minority interests		3,698	2,616	–	–
		248,721	238,497	187,282	178,005

The financial statements were approved by the Board of Directors on 17 June 2004.

M.E. Slade
Director

N.G. McNair Scott
Director

The notes on pages 26 to 42 form part of these financial statements.

Helical Bar plc and subsidiary undertakings for the year ended 31 March 2004

Statement of Total Recognised Gains and Losses

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Profit for the year after taxation	11,454	*17,567*
Minority interest	(232)	*(160)*
Revaluation of investment properties – subsidiaries	23,912	*(13,434)*
– joint ventures	–	*(470)*
Minority interest in revaluation surplus	(849)	*(599)*
Total recognised gains and losses since last financial statements	34,285	*2,904*

Notes on Historical Cost Profits and Losses

	31.3.04 £000	31.3.03 £000
Reported profit on ordinary activities before taxation	13,653	*25,227*
Realisation of property revaluation gains of previous years	27,339	*33,998*
Historical cost profit on ordinary activities before taxation	40,992	*59,225*
Historical cost profit for the year retained	34,298	*47,130*

Reconciliation of Movements in Shareholders' Funds

	31.3.04 £000	31.3.03 £000
Profit for the year	11,222	*17,407*
Dividends paid and proposed	(4,263)	*(4,275)*
	6,959	*13,132*
Revaluation of investment property – subsidiaries	23,912	*(13,434)*
– joint ventures	–	*(470)*
Minority interest in revaluation surplus	(849)	*(599)*
Issue of shares	635	–
Purchase of own shares	(21,515)	–
Net movement in shareholders' funds	9,142	*(1,371)*
Opening shareholders' funds	235,881	*237,252*
Closing shareholders' funds	245,023	*235,881*

The notes on pages 26 to 42 form part of these financial statements.

Helical Bar plc and subsidiary undertakings for the year ended 31 March 2004
Consolidated Cash Flow Statement

	Note	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Net cash flow from operating activities	23	(11,082)	*(27,283)*
Dividends from joint ventures		1,415	*150*
Returns on investment and servicing of finance	24	(6,828)	*(9,910)*
Taxation		(6,469)	*(3,945)*
Capital expenditure and financial investment	24	19,002	*86,588*
Disposals/(acquisitions)		40,415	*(841)*
Equity dividends paid		(4,309)	*(32,470)*
Cash flow before management of liquid resources and financing		32,144	*12,289*
Management of liquid resources	25	132	*28,634*
Financing			
– issue of shares		635	–
– purchase of shares		(21,515)	–
– decrease in debt	26	(9,060)	*(71,594)*
– refinancing costs		(57)	*(57)*
Increase/(decrease) in cash		2,279	*(30,728)*

Reconciliation of Net Cash Flow to Movement in Net Debt

	31.3.04 £000	31.3.03 £000
Increase/(decrease) in cash in the year	2,279	*(30,728)*
Cash inflow from management of liquid resources	(132)	*(28,634)*
Cash outflow from change in debt	9,117	*71,651*
Debt arrangement expenses	(170)	*(783)*
Movement in net debt in the year	11,094	*11,506*
Net debt 1 April 2003	(140,893)	*(152,399)*
Net debt 31 March 2004	(129,799)	*(140,893)*

The notes on pages 26 to 42 form part of these financial statements.

Notes to the Financial Statements

1. Principal accounting policies

Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention, as modified by the revaluation of investment properties. Compliance with SSAP 19, Investment Properties requires a departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given below.

The principal accounting policies of the Group are set out below. The policies have remained unchanged from the previous year.

Basis of consolidation
The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2003. Profits or losses on intra group transactions are eliminated in full.

Turnover
Turnover represents rental income which is recognised evenly over the term of the lease to which it relates, the proceeds from the sale of trading properties and developments and proceeds from the sale of listed investments. For funded developments, turnover comprises the increase in the valuation of work during the year and profit recognised on each development. Income from the sale of trading properties is included in the profit and loss account when, in the opinion of the directors, a binding contract of sale exists.

Depreciation
Depreciation is calculated to write down the cost to residual value of all fixed assets, excluding investment properties, by equal annual instalments over their expected useful economic lives.

The annual rates generally applicable are:

– short leasehold property	length of lease
– leasehold improvements	10% or length of lease if shorter
– vehicles & office equipment	25%

Developments
The attributable profit on developments is recognised once their outcome can be assessed with reasonable certainty. In the case of developments funded by institutions this profit is recognised on the letting of the developments.

Stock
Stock is stated at the lower of cost and net realisable value.

Long-term contract balances included in stock are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Deferred taxation
In accordance with FRS19 the Group makes full provision for timing differences which are primarily in respect of capital allowances on plant and machinery and industrial buildings allowances, both types of allowances derived from assets acquired with, or subsequently purchased for, the Group's investment property portfolio. Deferred tax assets and liabilities provided for under FRS19 are discounted to reflect the time value of money between the balance sheet date and the dates that it is estimated that the underlying timing differences will reverse. Following the sale of a property, any deferred tax provisions not required will be released to the profit and loss account.

Interest capitalised on development properties
Interest costs incurred on development properties are capitalised until the earliest of:
- the date when the development becomes fully let;
- the date when the income exceeds outgoings; and,
- the date of completion of the development.

Investment property
Completed investment properties are included in the balance sheet at their open market values. Any surplus arising is credited to the revaluation reserve and any temporary deficits are netted off against the remaining balance on the reserve. Permanent diminutions in value below original cost are reflected through the profit and loss account. In accordance with the Statement of Standard Accounting Practice No. 19 – Accounting for Investment Properties, freehold investment properties and leasehold investment properties where the unexpired term is over twenty years are not depreciated but are valued by an external valuer at least every three years. In years where an external valuation is not commissioned, a valuation is undertaken by a suitably qualified member of the Company's staff.

This policy represents a departure from the Companies Act 1985 which requires depreciation to be provided on all fixed assets. The effect of depreciation is already reflected in the valuation of investment properties and the amount attributable to depreciation cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, net assets would not have been affected, but revenue profits would have been reduced and revaluation surpluses correspondingly increased. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors affecting annual valuation.

1. Principal accounting policies (continued)

Financing costs
The Group uses derivative financial instruments to manage exposure to fluctuations in interest rates. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

The costs of arranging finance for the Group, including financial instruments entered into to protect against the effects of interest rate movements, are written off to the profit and loss account over the terms of, and in proportion to, the associated finance.

Goodwill
Goodwill arising on acquisition is treated as an intangible asset and the cost written off in equal instalments over its useful economic life. The useful economic life is estimated to be 15 years.

Employees share ownership plan trust (the "Trust")
Shares in Helical Bar plc owned by the Trust are stated at cost less provision for any permanent diminution in value. Any deficit arising in the future between the original cost of the shares and their net realisable value will be funded by the Company.

Joint venture companies
The Group's share of the profits or losses and other recognised gains or losses of the joint ventures are included in the Group profit and loss account and statement of total recognised gains and losses, respectively. Where the accounting periods covered by audited financial statements are not coterminous with those of the Group, the share of profits or losses of the joint ventures has been arrived at from the last audited financial statements available and unaudited management accounts to the Group's balance sheet date.

The Group balance sheet includes the investment in the joint ventures and the Group's share of net assets and the goodwill arising on the acquisition of the interest in so far as it has not already been amortised.

The Company balance sheet shows the investment in the joint ventures at cost less amounts written off.

Liquid resources
Liquid resources represent current asset investments that are disposable without disruption to the business, and are either readily convertible into cash at or close to their carrying amount, or are traded in an active market. Liquid resources include short term deposits that may be withdrawn at more than 24 hours notice.

Liquid resources are managed by the Group by investing as short-term cash deposits at prevailing deposit rates whilst ensuring appropriate access to such funds to meet foreseeable needs.

2. Turnover and gross profit on ordinary activities before taxation

	Turnover Year ended 31.3.04 £000	Turnover Year ended 31.3.03 £000	Gross profit Year ended 31.3.04 £000	Gross profit Year ended 31.3.03 £000
The analysis of turnover and gross profit by function is as follows:				
Trading property sales	5,264	*2,588*	1,031	*349*
Rental income	25,283	*29,334*	22,980	*25,619*
Developments	23,418	*91,412*	38	*4,630*
Other income and provisions	601	*11,858*	601	*626*
Gross profit			24,650	*31,224*
Central overheads			(8,037)	*(6,391)*
Interest payable less receivable			(6,572)	*(9,638)*
Share of joint venture company profits			1,636	*1,544*
Adjusted profit			11,677	*16,739*

Adjusted profit is profit before taxation, profit on sale of investment properties, loss on sale of subsidiary and negative goodwill.

All sales were within the UK. All turnover is attributable to continuing operations.

An analysis of property assets can be found in note 11 and the directors do not consider a further analysis of net assets to be appropriate.

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3. Administrative expenses

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Administration	8,037	*6,391*
Negative goodwill	–	*(6,362)*
Total administrative expenses	8,037	*29*
Operating profit on ordinary activities is stated after:		
Staff costs during the year:		
– salaries and other remuneration	4,976	*3,426*
– social security costs	656	*323*
– other pension costs	125	*104*
	5,757	*3,853*
Depreciation and amortisation:		
– tangible fixed assets	213	*230*
– goodwill	65	*51*
Auditors' remuneration:		
– audit services	110	*108*
– non-audit services	16	*18*

Details of directors' remuneration are included in the Directors' Remuneration Report on pages 49 to 53.

With the exception of the pension contributions referred to in the Directors' Remuneration Report, other pension costs relate to payments to individual pension plans.

The average number of employees of the Group during the year was:

	31.3.04	31.3.03
Management and administration	25	*25*

4. Sale of investment properties

	31.3.04 £000	31.3.03 £000
Net proceeds from the sale of investment properties	84,213	*133,294*
Book value (note 11)	(82,178)	*(131,168)*
Profit on sale of investment properties	2,035	*2,126*

Net proceeds from the sale of investment properties and their associated book value include £41,000,000 of properties disposed of at book value on the sale of a subsidiary, Helical Properties (Capital House) Jersey Limited.

5. Net interest payable and similar charges

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Interest payable on bank loans and overdrafts	7,548	*9,543*
Finance arrangement costs	170	*783*
Other interest payable and similar charges	1,741	*2,351*
	9,459	*12,677*
Interest capitalised	(1,817)	*(795)*
	7,642	*11,882*
Interest receivable and similar income	(1,070)	*(2,244)*
	6,572	*9,638*

Interest payable on bank loans and overdrafts includes the Company's share of interest payable by joint ventures of £746,000 (2003: £935,000).

6. Taxation on profit on ordinary activities

	31.3.04 £000	31.3.03 £000
The tax charge is based on the profit for the year and represents:		
United Kingdom corporation tax at 30% (2003: 30%)		
– group corporation tax	2,084	*8,337*
– share of joint ventures corporation tax	372	*–*
– adjustment in respect of prior periods	(67)	*(2,847)*
Current tax charge	2,389	*5,490*
Deferred tax – origination of timing differences (note 20)	(361)	*1,978*
– share of joint ventures	171	*192*
Tax on profit on ordinary activities	2,199	*7,660*

Factors affecting tax charge for period:
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	31.3.04 £000	31.3.03 £000
Profit on ordinary activities before tax	13,653	*25,227*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	4,096	*7,568*
Effect of:		
– Payments for use of tax losses	937	*3,112*
– Expenses not deductible for tax purposes	94	*86*
– Capital allowances for period in excess of depreciation	(1,925)	*(2,586)*
– Profit on sale of investment property in excess of chargeable gain	(611)	*264*
– Tax relief on share options	(845)	*–*
– Other timing differences	338	*(107)*
Current tax charge for period	2,084	*8,337*

Notes to the Financial Statements
continued

7. Dividends

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Attributable to equity share capital		
Ordinary		
– interim paid 6.60p (2003: 6.00p) per share	1,739	*1,705*
– final proposed 10.00p (2003: 9.00p) per share	2,524	*2,570*
Total 16.60p (2003: 15.00p) per share	4,263	*4,275*

The interim dividend of 6.60p was paid on 31 December 2003 to shareholders on the register on 5 December 2003. The final dividend, if approved at the AGM on 28 July 2004, will be paid on 29 July 2004 to shareholders on the register on 18 June 2004.

8. Parent company
The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in the financial statements. The profit for the year of the Company was £34,420,000 (2003: £47,509,000).

9. Earnings per share
The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held by the ESOP, which has waived its entitlement to receive dividends, are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed exercise of all dilutive options.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Year ended 31.3.04 Earnings £	Year ended 31.3.04 Weighted average no. of shares	Year ended 31.3.04 Per share amount pence	Year ended 31.3.03 Earnings £	Year ended 31.3.03 Weighted average no. of shares	Year ended 31.3.03 Per share amount pence
Basic earnings per share	11,222,000	27,413,946	40.9	*17,407,000*	*28,421,537*	*61.2*
Dilutive effect of share options		897,915			*964,200*	
Diluted earnings per share	11,222,000	28,311,861	39.6	*17,407,000*	*29,385,737*	*59.2*

10. Intangible fixed assets

Group	Goodwill £000
Cost at 1 April 2003	1,608
Additions	26
Cost at 31 March 2004	1,634
Amortisation at 1 April 2003	696
Provision for the year	65
Amortisation at 31 March 2004	761
Net book amount at 31 March 2004	873
Net book amount at 31 March 2003	912

11. Tangible fixed assets

	Investment Properties Freehold £000	Investment Properties Leasehold £000	Short leasehold property & improvements £000	Vehicles & office equipment £000	Total £000
Group					
Cost or valuation at 1 April 2003	279,684	62,800	646	864	343,994
Additions at cost	50,170	294	–	141	50,605
Disposals	(80,278)	(1,900)	–	(185)	(82,363)
Revaluation	20,606	3,556	–	–	24,162
Cost or valuation at 31 March 2004	270,182	64,750	646	820	336,398
Depreciation at 1 April 2003	–	–	366	530	896
Provision for the year	–	–	46	167	213
Eliminated on disposals	–	–	–	(146)	(146)
Depreciation at 31 March 2004	–	–	412	551	963
Net book amount at 31 March 2004	270,182	64,750	234	269	335,435
Net book amount at 31 March 2003	279,684	62,800	280	334	343,098

Interest capitalised in respect of the development of investment properties is included in tangible fixed assets to the extent of £1,013,000 (2003: £1,013,000).

Interest capitalised during the year in respect of investment properties in the course of development was £nil (2003: £nil).

	Short leasehold property & improvements £000	Vehicles & office equipment £000	Total £000
Company			
Cost at 1 April 2003	646	864	1,510
Additions at cost	–	141	141
Disposals	–	(185)	(185)
Cost at 31 March 2004	646	820	1,466
Depreciation at 1 April 2003	366	530	896
Provision for the year	46	167	213
Eliminated on disposals	–	(146)	(146)
Depreciation at 31 March 2004	412	551	963
Net book amount at 31 March 2004	234	269	503
Net book amount at 31 March 2003	280	334	614

Notes to the Financial Statements
continued

11. Tangible fixed assets (continued)

The investment properties have been valued on an open market basis at 31 March 2004 as follows:

	£000
Cushman & Wakefield Healey & Baker, International Real Estate Consultants	234,615
Churston Heard, Commercial Property Consultants	29,000
DTZ Debenham Tie Leung, International Property Advisors	23,500
Jones Lang LaSalle, International Real Estate Consultants	19,000
Allsop & Co, Chartered Surveyors	13,000
Drivers Jonas, Chartered Surveyors	10,500
Knight Frank, Chartered Surveyors	3,940
Directors' valuation	1,377
	334,932

The net surplus arising of £24,162,000 (2003: deficit £13,434,000) has been transferred to the revaluation reserve.

The historical cost of investment property is £244,319,000 (2003: £249,441,000).

12. Fixed asset investments

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Employees' Share Ownership Plan Trust – own shares	10,106	*9,011*	10,106	*9,011*
Shares in subsidiary undertakings at cost	–	*–*	8,337	*3,318*
	10,106	*9,011*	18,443	*12,329*

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
The movement in the year was as follows:				
At 1 April 2003	9,011	*9,599*	12,329	*12,163*
Acquired during year	887	*–*	5,906	*846*
Disposed of during year	–	*(588)*	–	*(680)*
Provisions released	208	*–*	208	*–*
At 31 March 2004	10,106	*9,011*	18,443	*12,329*

Following approval at the 1997 Annual General Meeting the Company established the Helical Bar Employees' Share Ownership Plan Trust (the "Trust") to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate and encourage the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company.

At 31 March 2004 the Trust held 1,361,939 (2003: 1,361,939) ordinary shares in Helical Bar plc over which options had been granted.

At 31 March 2004 the Trust held 130,000 (2003: nil) ordinary shares over which no options had been granted.

12. Fixed asset investments (continued)

Interests in joint venture companies

At 31 March 2004 the Group and the Company had interests in the following joint venture companies:

	Country of incorporation	Class of share capital held	Proportion held Group	Proportion held Company	Nature of business
Abbeygate Helical (Leisure Plaza) Ltd	United Kingdom	Ordinary	50%	50%	Property development
Abbeygate Helical (Winterhill) Ltd	United Kingdom	Ordinary	50%	50%	Property development
Grosvenor Hill (Sprucefields) Ltd	United Kingdom	Ordinary	50%	50%	Property investment
Prescot Street Investments Ltd	United Kingdom	Ordinary	50%	50%	Property investment

The Company's principal subsidiary undertakings, all of which have been consolidated, are:

Name of undertaking	Nature of business	Percentage of ordinary share capital held
Aycliffe and Peterlee Development Company Ltd	Development and trading	100%
Aycliffe and Peterlee Investment Company Ltd*	Investment	100%
Baylight Developments Ltd	Investment	100%
Dencora (Docklands) Ltd	Investment	100%
Dencora (Dunstable) Ltd	Trading	100%
Dencora (Edenbridge) Ltd	Trading	100%
Dencora (Harlow) Ltd	Trading	100%
Chancerygate (Albion) Ltd	Trading	100%
Chancerygate (Mill Street) Ltd	Trading	100%
HB Sawston No. 3 Ltd	Investment	100%
HB Dales Manor No 3. Ltd	Investment	100%
HB Cambs No. 3 Ltd	Investment	100%
Harbour Developments (Bracknell) Ltd	Development	100%
Helical Bar (Berkeley Square) Ltd	Development	100%
Helical Bar (Bunhill Row) Ltd	Development	100%
Helical Bar (CL) Investments Ltd*	Investment	100%
Helical Bar Developments (South East) Ltd	Development and trading	100%
Helical Bar (Hawtin Park No. 3) Ltd	Investment	100%
Helical Bar (Rex House) Ltd	Investment	100%
Helical Bar Services Ltd	Management Services	100%
Helical Bar Trustees Ltd	Trustee of Profit Sharing Scheme	100%
Helical Bar (Wales) Ltd*	Investment	100%
Helical Bar (White City) Ltd	Development	100%
Helical Properties Ltd	Investment and trading	100%
Helical Properties Investment Ltd	Investment	100%
Helical Properties Retail Ltd	Investment	100%
Helical Retail Ltd	Development and trading	100%
Helical Retail (RBS) Ltd*	Development and trading	100%
Helical (CR) Ltd	Development and trading	100%

Notes to the Financial Statements
continued

12. Fixed asset investments (continued)

Name of undertaking	Nature of business	Percentage of ordinary share capital held
Helical (Fleet) No. 2 Ltd	Investment	100%
Helical (HIS) Ltd	Investment	100%
Helical (Letchworth) Ltd	Investment	100%
Helical (Liphook) Ltd	Development (Jersey)	100%
Helical (Sevenoaks) Ltd	Investment	100%
Helical (St Austell) Ltd	Investment	100%
Helical (Wednesfield) Ltd	Investment	100%
Helical (Westfields) Ltd	Investment	100%
Helical (Worthing) Ltd	Investment	100%
Intercontinental Land and Development Co. Ltd*	Investment development and trading	100%
Networth Ltd*	Investment	100%
Maudsley Park Ltd	Development	100%
PPMDSL (Cardiff) Ltd	Investment	100%
56/76 CR (Holdings) Ltd	Development	100%
61 Southwark Street Ltd*	Investment	100%
Helical (Interchange) Ltd	Investment	90%
Helical Properties (WSM) Ltd*	Investment	75%

All principal subsidiary undertakings operate in the United Kingdom and, unless otherwise indicated, are incorporated and registered in England and Wales.

*Ordinary capital is held by a subsidiary undertaking.

13. Stock

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Development sites	46,236	*20,593*	92	–
Properties held as trading stock	24,018	*20,519*	–	–
	70,254	*41,112*	92	345

Interest capitalised in respect of the development of sites is included in stock to the extent of £1,666,000 (2003: £1,141,000). Interest capitalised during the year in respect of development sites amounted to £1,817,000 (2003: £795,000).

14. Debtors

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Trade debtors	2,701	*4,412*	446	*1,193*
Amounts owed by joint venture undertakings	8,662	*6,552*	8,662	*6,552*
Amounts owed by subsidiary undertakings	–	–	151,348	*173,570*
Other debtors	3,890	*2,995*	2,212	*466*
Prepayments and accrued income	10,320	*11,834*	171	*1,251*
	25,573	*25,793*	162,839	*183,032*

Included in prepayments is £5.6m (2003: £nil) which relates to payments made by the Group to potentially reduce future Capital gains tax liabilities. The quantum and timing of any savings is, however, uncertain. The prepayment is being written off as part of the Group's tax charge in proportion to the use of capital losses crystallised during the year.

15. Current asset investments

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
UK listed investments at cost	263	*13*	–	–
	263	*13*	–	–

The market value of listed investments at 31.3.04 was £265,000 (2003: £13,000).

16. Cash at bank and in hand

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Rent deposits and cash held at managing agents	2,575	*4,594*	–	–
Cash secured against debt and cash held at solicitors	1,121	*1,105*	–	
Cash held to fund future development costs	1,517	*5,088*	–	–
Free cash	13,071	*5,350*	10,511	*345*
	18,284	*16,137*	10,511	*345*

17. Creditors: amounts falling due within one year

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Bank overdrafts and term loans	16,304	*46,038*	–	*12,027*
Trade creditors	32,246	*6,217*	528	*201*
Corporation tax	1,138	*5,598*	995	*2,847*
Social security costs and other taxation	115	*1,152*	–	–
Dividends payable	2,524	*2,570*	2,524	*2,570*
Other creditors	6,454	*4,685*	637	*162*
Accruals and deferred income	19,881	*19,383*	332	*439*
	78,662	*85,643*	5,016	*18,246*

18. Creditors: amounts falling due after more than one year

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Bank loans repayable within:				
– one to two years	17,327	*15,105*	–	–
– two to five years	78,296	*81,925*	–	–
– after five years	36,801	*14,720*	–	–
	132,424	*111,750*	–	–
Deferred arrangement costs	(645)	*(758)*	–	–
	131,779	*110,992*	–	–

Bank overdrafts and term loans in creditors falling due within one year and after one year are secured against properties held in the normal course of business by subsidiary undertakings to the value of £245,864,000 (2003: £284,109,000). These will be repayable when the underlying properties are sold. Bank overdrafts and term loans exclude the Groups' share of borrowings in joint venture companies of £8,984,000 (2003: £14,355,000).

Notes to the Financial Statements
continued

19. Financing and financial instruments
The policies for dealing with liquidity and interest rate risk are noted in the Financial Review on pages 19 to 21.

Short-term debtors and creditors
Short-term debtors and creditors have been excluded from the following disclosures.

	Group 31.3.04 £000	Group 31.3.03 £000
Bank overdraft and loans – maturity		
Due after more than one year	131,779	*110,992*
Due within one year	16,304	*46,038*
	148,083	*157,030*

The Group has various undrawn committed borrowing facilities. The facilities available at 31.3.04 in respect of which all conditions precedent had been met were as follows:

	Group 31.3.04 £000	Group 31.3.03 £000
Expiring in one year or less	30,000	*9,500*
Expiring in more than one year but not more than two years	–	*10,000*
Expiring in more than two years	6,661	*33,560*
	36,661	*53,060*

Interest rates

	%	Expiry	31.3.04 £000	%	Expiry	31.3.03 £000
Fixed rate borrowings:						
– fixed	9.050	Feb. 2009	8,392	*9.050*	*Feb. 2009*	*8,830*
– swap rate plus bank margin	5.656	Sep. 2005	9,040	*5.656*	*Sep. 2005*	*9,040*
– swap rate plus bank margin	4.965	Mar. 2007	5,925	*4.965*	*Mar. 2007*	*5,925*
– swap rate plus bank margin	5.846	Jun. 2006	3,500	*5.846*	*Jun. 2006*	*3,500*
– swap rate plus bank margin	5.721	Sep. 2007	3,460	–	–	–
Weighted average	7.044	Apr. 2007	30,317	*7.140*	*Apr. 2007*	*27,295*
Floating rate borrowings			102,107			*130,493*
Total borrowings			132,424			*157,788*
Deferred arrangement costs			(645)			*(758)*
			131,779			*157,030*

Floating rate borrowings bear interest at rates based on LIBOR.

19. Financing and financial instruments (continued)

Hedging

In addition to the fixed rates, borrowings are also hedged by the following financial instruments:

Instrument	Value £000	Rate %	Start	Expiry
Current:				
– cap	49,000	6.100		Jul. 2004
– cap	80,000	7.500		Jan. 2006
– collar	31,000	4.730–6.500		Jan. 2006
– floor	49,000	4.730		Jan. 2006
Future:				
– collar	80,000	4.800–7.000	Jan. 2006	Sept. 2009

Gearing

	31.3.04 £000	31.3.03 £000
Total borrowings	148,083	157,030
Cash	(18,284)	(16,137)
Net borrowings	129,799	140,893

Net borrowings exclude the Company's share of borrowings in joint ventures of £8,984,000 (2003: £14,355,000).

	31.3.04 £000	31.3.03 £000
Net assets	248,721	238,497
Gearing	52%	59%

Fair value of financial assets and financial liabilities

	31.3.04 Book Value £000	31.3.04 Fair Value £000	31.3.03 Book Value £000	31.3.03 Fair Value £000
Borrowings	148,728	149,639	157,788	159,127
Interest rate swaps	–	123	–	555
Other financial instruments	–	1,848	(223)	5,185
	148,728	151,610	157,565	164,867

The fair value of financial assets and financial liabilities represents the mark to market valuations at 31 March 2004 and 31 March 2003. The adjustment to net assets from a recognition of these values, net of tax relief, would be to reduce diluted net asset value per share by 7p (2003: 15p).

Notes to the Financial Statements
continued

20. Provision for liabilities and charges – deferred taxation
Deferred taxation provided for in the financial statements is set out below:

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Accelerated capital allowances	2,744	*3,124*	105	*81*
Other timing differences	–	*42*	–	*–*
	2,744	*3,166*	105	*81*
Less – discount	(399)	*(460)*	(15)	*(12)*
Discounted provision for deferred tax	2,345	*2,706*	90	*69*

The Group has applied the provisions of FRS19 Deferred Tax, which requires that deferred tax be recognised as a liability or asset if the transactions or events that give the Group an obligation to pay more or less tax in the future have occurred by the balance sheet date. In accordance with FRS19, the Group makes full provision for timing differences which are primarily in respect of capital allowances on plant and machinery, industrial buildings allowances and tax losses.

The Group has available to it for use against future profits a capital allowances pool of £23m which has not been recognised as a deferred tax asset due to uncertainty over the use and timing of the utilisation of these allowances. In addition, the Group anticipates that by utilising various other losses that may become available it may be able to reduce future tax charges to below the standard rate of tax.

Amounts unprovided are:

	Group 31.3.04 £000	Group 31.3.03 £000	Company 31.3.04 £000	Company 31.3.03 £000
Unrealised capital gains	20,509	*17,144*	–	*–*
	20,509	*17,144*	–	*–*

No provision has been made for taxation which would accrue if the investment properties were sold at their revalued amounts. The adjustment to net assets resulting from a recognition of these amounts would be to reduce diluted net asset value per share by 70p (2003: 53p).

21. Share capital

	31.3.04 £000	31.3.03 £000
Authorised:		
– 688,954,752 (2003: 688,954,752) ordinary shares of 5p each	34,448	*34,448*
	34,448	*34,448*
Allotted, called up and fully paid		
Attributable to equity interests:		
– 27,147,903 (2003: 29,913,476) ordinary shares of 5p each	1,357	*1,496*
	1,357	*1,496*

During the year 2,905,951 ordinary 5p shares were purchased for cancellation and 140,378 shares were issued on the exercise of share options. Since the year end a further 460,000 ordinary 5p shares have been purchased for cancellation. At 17 June 2004 there were 26,687,903 ordinary 5p shares in issue with a nominal value of £1,334,000.

21. Share capital (continued)

Share options

At 31 March 2004 options over 2,412,945 (2003: 2,553,323) new ordinary shares in the Company and 1,361,939 (2003: 1,361,939) purchased shares held by the ESOP had been granted to directors and employees under the Company's share option schemes. During the year no new options were granted. Options over 140,378 new shares were exercised.

	Exercise price per share pence	Number of shares	Date from which exercisable	Expiry date of options
Senior Executive 1988 Share Option Scheme				
Subscription options				
Options granted:				
– 11 July 1997	412.5	365,000	11 Jul. 2002	10 Jul. 2007
– 29 September 1997	467.5	100,000	29 Sep. 2002	28 Sep. 2007
– 27 November 1997	452.5	253,622	27 Nov. 2002	26 Nov. 2007
Purchase options				
Options granted:				
– 27 November 1997	452.5	76,000	27 Nov. 2001	26 Nov. 2007
– 10 July 1998	565.0	400,000	10 Jul. 2002	9 Jul. 2008
Helical Bar 1999 Share Option Scheme				
Subscription options				
Options granted:				
– 8 March 1999	442.5	1,547,768	8 Mar. 2004	7 Mar. 2009
– 8 January 2001	780.0	30,000	8 Jan. 2006	7 Jan. 2011
– 21 November 2002	707.5	59,862	21 Nov. 2007	20 Nov. 2012
Purchase options				
Options granted:				
– 8 March 1999	442.5	93,000	8 Mar. 2004	7 Mar. 2009
– 18 December 2000	750.0	529,000	18 Dec. 2005	17 Dec. 2010
– 8 January 2001	780.0	34,102	8 Jan. 2006	7 Jan. 2011
– 15 November 2001	766.5	229,837	15 Nov. 2006	14 Nov. 2011
Helical Bar 1999 Approved Share Option Scheme				
Subscription options				
Options granted:				
– 8 March 1999	442.5	52,453	8 Mar. 2002	7 Mar. 2009
– 21 November 2002	707.5	4,240	21 Nov. 2005	20 Nov. 2012
		3,774,884		

Notes to the Financial Statements
continued

22. Share premium and reserves

	Non-distributable share premium account £000	Non-distributable Capital redemption reserve £000	Non-distributable Other reserves £000	Non-distributable Revaluation reserve £000	Distributable Profit and loss account £000
Group					
At 1 April 2003	35,271	7,101	291	93,599	98,123
Profit retained	–	–	–	–	6,959
Issue of shares	629	–	–	–	–
Shares purchased for cancellation	–	145	–	–	(21,515)
Revaluation of investment property – subsidiaries	–	–	–	23,912	–
Minority interest in revaluation of investment property	–	–	–	(849)	–
Realised on disposals	–	–	–	(27,339)	27,339
At 31 March 2004	35,900	7,246	291	89,323	110,906
Company					
At 1 April 2003	35,271	7,101	1,987	–	132,150
Profit retained	–	–	–	–	30,157
Issue of shares	629	–	–	–	–
Shares purchased for cancellation	–	145	–	–	(21,515)
At 31 March 2004	35,900	7,246	1,987	–	140,792

23. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Operating profit	16,613	*31,195*
Depreciation of fixed assets	213	*230*
Release of provision against investments	(133)	*–*
(Profit)/loss on sale of fixed assets	(9)	*38*
Amortisation of goodwill	65	*51*
Negative goodwill	–	*(6,362)*
Increase in debtors	(580)	*(3,704)*
Increase/(decrease) in creditors	74	*(37,999)*
Increase in stock	(27,325)	*(10,732)*
Net cash flow from operating activities	(11,082)	*(27,283)*

24. Analysis of cash flows for headings netted in the cash flow statement

	Year ended 31.3.04 £000	Year ended 31.3.03 £000
Return on investments and servicing of finance		
Interest received	1,839	*1,416*
Interest paid	(8,667)	*(11,289)*
Minority interest dividends paid	–	*(37)*
	(6,828)	*(9,910)*
Capital expenditure and financial investment		
Purchase of property	(22,906)	*(47,175)*
Sale of property	43,213	*133,295*
Purchase of tangible fixed assets	(141)	*(152)*
Sale of tangible fixed assets	48	*44*
Purchase of investments	(1,212)	*–*
Sale of investments	–	*576*
	19,002	*86,588*

25. Management of liquid resources

	31.3.04 £000	31.3.03 £000
Decrease in short-term deposits	132	*28,634*
	132	*28,634*

26. Analysis of net debt

	At 31.3.03 £000	Cash Flow £000	Other non cash changes £000	At 31.3.04 £000
Cash at bank and in hand	*16,137*	2,279	(132)	18,284
Debt due within one year	*(46,038)*	29,734	–	(16,304)
Debt due after more than one year	*(111,750)*	(20,674)	–	(132,424)
Less: arrangement expenses	*758*	57	(170)	645
	(157,030)	9,117	(170)	(148,083)
Total	*(140,893)*	11,396	(302)	(129,799)

Notes to the Financial Statements
continued

27. Contingent liabilities
The Company has entered into cross guarantees in respect of the banking facilities of its subsidiaries. The Company also entered into interest rate floors on £80m at 4.73% from July 1999 to January 2006 and on a further £80m at 4.80% from January 2006 to September 2009.

Other than these contingent liabilities and the deferred tax referred to in note 20 there were no contingent liabilities at 31 March 2004 (2003: nil).

28. Net assets per share

	31.3.04 £000	Number of shares 000s	31.3.04 pence per share	Change since 31.3.03 %
Net asset value	245,023	27,148	903	14.5
Add: potential exercise of options	10,889	2,413		
Diluted net asset value	255,912	29,561	866	13.6
Adjustment for:				
– capital allowances provided for but unlikely to be clawed back	2,345		8	
Adjusted diluted net asset value	258,257	29,561	874	13.5
Adjustment for:				
– potential capital gains not provided for	(20,509)		(70)	
– mark to market value of interest rate hedging agreements	(2,017)		(7)	
Adjusted diluted triple net asset value	235,731	29,561	797	13.5

29. Capital commitments – Group and Company
At 31 March 2004 nil (2003: nil).

30. Related party transactions
At 31 March 2004 and 31 March 2003 the following amounts were due from the Group's joint ventures.

	At 31.3.04 £000	At 31.3.03 £000
Abbeygate Helical (Leisure Plaza) Ltd	4,331	*95*
Abbeygate Helical (Winterhill)Ltd	263	*255*
Prescot Street Investments Ltd	4,072	*4,692*
Grosvenor Hill (Sprucefield) Ltd	(4)	*1,510*

The amount due from the Group's joint ventures represent interest free loans which are repayable once the underlying property has been sold.

Ten Year Review

	31.3.04 £000	31.3.03 £000	31.3.02 £000	31.3.01 £000	31.3.00 £000	31.3.99 £000	31.3.98 £000	31.3.97* £000	31.1.96 £000	31.1.95 £000
Turnover	54,566	135,192	136,632	165,259	149,922	121,244	214,416	100,529	65,948	50,521
Rental income	25,283	29,334	31,384	28,642	26,656	21,482	22,009	22,374	19,186	16,294
Gross profit	24,650	31,224	44,986	56,301	43,482	39,004	38,775	29,284	21,697	16,475
Profit before taxation	13,653	25,227	22,573	25,824	22,020	20,044	18,494	12,033	9,200	8,187
Profit after taxation	11,454	17,567	17,220	20,353	20,501	16,392	14,436	9,032	7,892	7,655
Ordinary dividends	4,263	4,275	32,328	3,570	3,223	31,338	1,552	1,666	1,189	1,058
Profit/(loss) retained	6,959	13,132	(15,272)	16,657	17,201	(18,414)	7,811	3,564	3,666	3,785
Dividend per ordinary share	16.60p	15.00p	13.75p	12.50p	11.15p	10.0p	9.0p	8.0p	7.3p	6.5p
Special dividend per ordinary share	–	–	100.0p	–	–	100.0p	–	2.0p	–	–
Diluted earnings per ordinary share	39.6p	59.2p	57.8p	67.7p	68.9p	51.5p	40.3p	28.3p	26.6p	26.3p
Investment portfolio	334,932	342,484	439,911	453,607	419,570	332,457	250,718	201,570	180,765	156,579
Shareholders' funds	245,023	235,881	237,252	233,152	176,636	137,011	134,223	101,080	92,662	91,429
Adjusted diluted net assets per share	874p	770p	769p	754p	582p	473p	481p	372p	330p	326p

*The financial statements to 31 March 1997 were for a 14 month accounting period.

The financial statements for the year to 31 March 1998 and subsequently have been restated to reflect the impact of the adoption of FRS19 on Deferred Tax.

The Board of Directors and Senior Management

The Board of Helical Bar plc is collectively responsible for providing the entrepreneurial leadership of the Company within a framework of controls and reporting structures which assist the Company in pursuing its strategic aims and business objectives.

The Board of Helical Bar plc comprises four executive directors and three non-executive directors.

Board of Directors and other officers

Executive directors

Managing Director
Michael Slade, BSc (Est Man) FRICS FSVA, joined the Board as executive director in 1984 and was appointed Managing Director in 1986. Aged 57.

Finance Director
Nigel McNair Scott, MA FCA FCT, joined the Board as non-executive director in 1985 and was appointed Finance Director in 1986. A former director of Johnson Matthey plc he is Chairman of Avocet Mining Plc. Aged 58.

Development Director
Gerald Kaye, BSc (Est Man) FRICS, was appointed to the Board as executive director in 1994 and is responsible for the Company's development activities. He is a former director of London & Edinburgh Trust Plc. Aged 46.

Investment Director
Michael Brown, BSc (Est Man), was appointed to the Board as executive director in 1998 and is responsible for the Company's property investment activities. He is a former director of Threadneedle Property Fund Managers. Aged 43.

Non-executive directors

Chairman
John Southwell, MA, joined the Board of Helical Bar plc as non-executive director in 1986 and was appointed non-executive Chairman in 1988. He is Chairman of the Audit, Remuneration and Nominations and Appointments Committees. A former director of Laing & Cruickshank, Corporate Finance, he is Chairman of Lochain Patrick Holdings Ltd and director of James Cropper PLC. Aged 71.

Giles Weaver, FCA, was appointed to the Board as non-executive director in 1993. He is a member of the Audit, Remuneration and Nominations and Appointments Committees. A recent Chairman of Murray Johnstone Ltd, he is a director of Aberdeen Asset Management plc, James Finlay Ltd, Isotron plc as well as being Chairman or director of a number of investment companies. Aged 58.

Antony Beevor, BA, was appointed to the Board as non-executive director in 2000. He is a member of the Audit, Remuneration and Nominations and Appointments Committees. He is a Deputy Chairman of the Takeover Panel and the Chairman of Croda International Plc. Aged 64.

Company Secretary
Tim Murphy, ACA, was appointed Company Secretary in 1994. Aged 44.

Senior management
Matthew Bonning-Snook joined the Company as a development executive in 1995. Aged 36.

Jack Pitman joined the Company as an investment executive in 2001. Aged 35.

John Inwood joined the Company as a management executive in 1995. Aged 38.

Directors' Report

The directors' present their report and financial statements for the year ended 31 March 2004.

Principal activities
The principal activity of the Company is that of a holding company and the principal activities of the subsidiaries are property investment, dealing and development. A full review of these activities and the Group's future prospects are given on pages 4 to 21.

Trading results
The results for the year are set out on page 22. The profit on ordinary activities before taxation amounts to £13,653,000 (2003: £25,227,000).

Share capital
The detailed movements in share capital are set out in note 21 to these financial statements. At 31 March 2004 there were 27,147,903 ordinary 5p shares in issue. At 17 June 2004 there were 26,687,903 ordinary 5p shares in issue.

Dividends
A final dividend of 10.00p (2003: 9.00p) per share is recommended for approval at the Annual General Meeting on 28 July 2004. The total ordinary dividend of 16.60p (2003: 15.00p) per share amounts to £4,263,000 (2003: £4,275,000).

Donations to charities amounted to £21,364 (2003: £13,936). No contributions were made to any political party.

Creditor payment policy
The Company's policy is to settle all agreed liabilities within the terms established with suppliers. At 31 March 2004 there were 50 days' (2003: 20 days') purchases outstanding in respect of the Company's creditors.

Auditors
On 1 July 2004, the Grant Thornton partnership will transfer its business to a limited liability partnership, Grant Thornton UK LLP and the directors have agreed to extend the audit appointment to Grant Thornton UK LLP with effect from 1 July 2004 in accordance with Section 26(5) of the Companies Act 1989. Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Substantial shareholdings
At 1 June 2004 the shareholders listed in Table A on page 46 had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Company.

Directors' remuneration
Details of directors' remuneration, share options, service contracts and pension contributions are noted in the Directors' Remuneration Report on pages 49 to 53.

Directors and their interests
The directors who were in office during the year and their interests, all of which were beneficial, in the ordinary shares of the Company are listed in Table B on page 46.

Shares purchased on behalf of directors under the terms of the Share Incentive Plan are disclosed in the Report on Remuneration on pages 49 to 53.

There have been no changes in the directors' interests in the period from 31 March 2004 to 17 June 2004.

Re-election of directors
Messrs. G.A. Kaye and P.M. Brown are due to retire by rotation and offer themselves for re-election. Mr. J.P. Southwell, being over the age of 70, also offers himself for re-election.

Going concern
After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Corporate governance
The Company's application of the principles of corporate governance is noted in the Corporate Governance Report on pages 47 and 48.

Directors' responsibilities for the 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 the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual General Meeting
The Annual General Meeting of the Company will be held on 28 July 2004 at 11.30 a.m. at The Westbury, Conduit Street at New Bond Street, London W1A 4UH. The notice of meeting is set out in the separate circular to shareholders which accompanies this document.

Directors' Report
continued

Table A – Substantial shareholdings

	Number of ordinary shares	%
Michael Slade	3,016,739	11.3
Schroder Investment Management	1,781,567	6.7
Threadneedle Asset Management	1,658,200	6.2
Helical Bar Share Ownership Plan Trust	1,491,939	5.6
Fidelity Investments	1,427,115	5.3
M & G Investment Management	1,020,956	3.8
Hermes	998,661	3.7
Legal & General	988,548	3.7
Co-operative Insurance Society Ltd	880,452	3.3

Table B – Directors' interests

	Ordinary 5p shares 31 March 2004	Ordinary 5p shares 31 March 2003
John Southwell	34,750	*34,750*
Michael Slade	3,016,739	*3,016,408*
Nigel McNair Scott	628,418	*628,087*
Giles Weaver	18,000	*18,000*
Antony Beevor	1,477	*1,477*
Gerald Kaye	311,004	*310,673*
Michael Brown	288,352	*188,021*
Total directors' interests	4,298,740	*4,197,416*
Percentage of issued share capital	16.1	*14.0*

By Order of the Board

T.J. Murphy
Secretary
17 June 2004

Corporate Governance Report

In July 2003 the Financial Reporting Council issued "The Combined Code on Corporate Governance" which supersedes and replaces the Combined Code issued by the Hampel Committee on Corporate Governance in June 1998 ("Combined Code (1998)"). This new "Combined Code" will first apply to reporting periods beginning on or after 1 November 2003 and, consequently, will first apply to the Company for the year to 31 March 2005. The Company is committed to applying the highest principles of corporate governance and, where not already in force, will look to adopt the recommendations of the new Combined Code during the course of the current financial year. Where those recommendations are not appropriate the Company will seek to explain the reasons for non-compliance. For the year under review the Company has applied the provisions of the previous Combined Code and compliance with that Code is discussed below.

The Board is accountable to the Company's shareholders for good corporate governance. This report and the Directors' Remuneration Report describe how the Company complies with the provisions of the Combined Code (1998).

Compliance

The Company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code (1998).

Application of the principles

The Board of Directors

The Board consists of four executive directors who hold the key operational positions in the Company and three non-executive directors, who bring a breadth of experience and knowledge to their roles. This provides a balance whereby the Board's decision making cannot be dominated by an individual or small group.

The Chairman of the Board is John Southwell and the Company's business is run by Michael Slade, the Managing Director. The senior independent director is Antony Beevor. All of the Company's non-executive directors act independently of management. John Southwell, however, has been a Board member for more than nine years and during the year acted as a consultant to one of the Company's brokers. This consultancy role has now ended. In addition, Giles Weaver has been a non-executive director for more than nine years. It is noted that some shareholder advisory bodies such as PIRC (Pensions Investment Research Consultants) and NAPF (National Association of Pension Funds) take the view that independence of action is likely to be lost the longer the director serves on the Board. The arbitrary period of nine years has been put forward by these two bodies as a time by which independence may be deemed to be compromised. In our view the breadth of experience of these two directors and their detachment from the day-to-day issues within the Company provide, with the third non-executive director Antony Beevor, a sufficiently strong and experienced balance with the executive members of the Board. This breadth of experience allied to the management information provided by the Company enable the non-executive Board members to assess and advise the full Board on the major risks faced by the Company. In view of this we continue to believe that shareholders should regard all our non-executive directors as independent.

Board meetings

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. In addition to ad hoc meetings arranged to discuss particular transactions and events and the AGM, the full Board met on five occasions during the year under review. The Audit Committee met on two occasions and the Remuneration Committee on two occasions. The attendance record of the directors is shown in the table below.

Meetings	Mr. J.P. Southwell	Mr. M.E. Slade	Mr. N.G. McNair Scott	Mr. G.A. Kaye	Mr. P.M. Brown	Mr. C.G.H. Weaver	Mr. A.R. Beevor
Full board	5	5	5	5	5	4	5
Audit Committee	2	n/a	n/a	n/a	n/a	1	2
Remuneration Committee	2	n/a	n/a	n/a	n/a	2	2

The Board has a schedule of matters specifically reserved to it for decision which is reviewed annually. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new directors and other directors as necessary.

Nominations and Appointments Committee

The Nominations and Appointments Committee meet as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. It comprises John Southwell, Chairman, and the two other non-executive directors, Giles Weaver and Antony Beevor. The Committee did not meet during the year under review. All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment. All directors over 70 face annual re-election.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with, and presentations to, its institutional shareholders to discuss its objectives. The Board also regularly meets, with the help of its brokers, institutions that do not currently hold shares in the Company to inform them of its objectives.

The AGM is used to communicate with private investors and they are encouraged to participate. The members of the Audit, Remuneration and Nomination and Appointment Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to consider the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Company communicates with all shareholders through the issue of regular press releases and through its website at www.helical.co.uk The Company receives regular reports from sector analysts and its investor relations advisors on how it is viewed by its shareholders.

Corporate Governance Report
continued

Accountability and audit

Financial reporting
The Combined Code (1998) requires the Company to present a balanced and understandable assessment of the Company's position and prospects. It seeks to do so in all published information and in particular in interim and preliminary announcements and other price-sensitive reports and reports to regulators as well as in the information required to be presented by statutory requirements.

Internal control
The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on Internal Control, an ongoing process has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place from the start of the financial year under review to the date of approval of these financial statements. As part of this process the Board has identified key risks faced by the Company. These key risks include net gearing and interest rate exposure, control over cash and other liquid assets and security of ownership of key assets. The risks have been prioritised and a strategy has been set out to deal with them. The Board papers produced for each Board meeting include reports by each of the executive directors together with management accounts, profit and cash flow forecasts. The annual business development plan was presented to the Board in February 2004. This document discusses the commercial environment in which the Company operates, undertakes a SWOT analysis on the Company and sets short, medium and long-term targets for the business. The Board papers also include regular updates on corporate governance matters and during the year under review has received reports on internal financial control, risk assessment, interest rate risks, taxation, and matters reserved for Board approval. In addition during the year the Board has received a copy of a report on the internal financial controls and systems prepared for the Audit Committee by Grant Thornton. In between Board meetings the non-executive directors receive copies of the minutes of weekly management meetings between the executive Board members and senior management at which the property portfolio, financial and other matters are discussed, and minutes of meetings with the Company's major joint venture partners. Non-executive directors also receive copies of analysts' reports on the Company. The directors are free to seek any further information they consider necessary.

The key features of the Company's system of internal control are as follows:

– clearly defined organisational responsibilities and limits of authority. The day-to-day involvement of the executive directors in the running of the business ensures that these responsibilities and limits are adhered to;
– financial controls and review procedures. Internal financial controls are reviewed annually by the Board;
– financial information systems including cash flow, profit and capital expenditure forecasts. The Board receive regular and comprehensive reports on the day-to-day running of the business;
– an Audit Committee which meets with the auditors and deals with any significant internal control matter. In the year under review the Committee met with the Auditors on two occasions and received a paper on the internal financial controls of the Company.

Audit Committee
The Audit Committee comprises John Southwell, Giles Weaver and Antony Beevor, all independent non-executive directors.

The recommendations of the recent Smith Report include a requirement to review the Company's internal financial control system and risk management systems. In April 2003, Grant Thornton reported to the Audit Committee on the key findings of their review on the internal controls and systems. These key findings were:

– the control environment over financial controls is robust;
– the general environment, size and culture of the organisation means that reliance for the operation of controls is placed on a few key individuals;
– a high level of autonomy is given to directors and senior management; and,
– the volume of management information generated and provided to the non-executive directors is significant. Grant Thornton did not review the quality of this information.

Ethical concerns
The Company has adopted a Code of Ethics which has been distributed to all staff and joint venture partners. This Code sets out its approach to its business principles and provides details of good business practices promoted by the Company. It includes a clear policy statement that the Company does not condone any form of corrupt behaviour in its business dealings.

Directors' Remuneration Report

Directors' remuneration
The Board recognises that directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. In accordance with Section 241A of the Companies Act 1985, the Board presents the directors' remuneration report for approval.

Remuneration Committee
The Remuneration Committee ("Committee") has responsibility for making recommendations to the Board to determine the Company's general policy on salary, bonuses, pensions and other remuneration issues for individual directors. It carries out the policy on behalf of the Board and in the year under review the Committee met twice.

The membership of the Committee is as follows:

John Southwell (Chairman)
Giles Weaver
Antony Beevor

All the members of the Committee are independent non-executive directors. None of the Committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The Committee consults the Managing Director and Finance Director about its proposals and has access to professional advice from inside and outside the Company. During the year under review the Committee were advised by New Bridge Street Consultants in relation to the performance criteria of the Company's share option schemes and the introduction of a Performance Share Plan.

Policy on executive directors' remuneration
The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees. Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to maintain the Company's position as a market leader and to reward them for enhancing shareholder value and return. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the Committee.

The remuneration packages of individual directors are structured so that the performance related elements form a significant proportion of the total and are designed to align their interests with those of the shareholders. Share options are designed so that they recognise the long-term growth of the Company. No director has a service contract of more than one year.

There are four main elements of the executive directors' remuneration packages:

i basic annual salary, pension contributions and benefits-in-kind;
ii annual bonus payments;
iii long-term incentives;
iv share incentives.

Basic annual salary, pension contributions and benefits-in-kind
Basic annual salaries for executive directors are reviewed having regard to individual performance and market practice and were last reviewed in April 2003.

The remuneration packages of each executive director include a payment of 20% of basic salary as pension entitlement. The Company uses this entitlement to make annual contributions into a Small Self Administered Pension Scheme on behalf of Michael Slade and Nigel McNair Scott. The remaining entitlement is paid as additional salary to each director.

Benefits-in-kind provided to directors include the provision of a company car or car allowance and health insurance.

Annual bonus payments
The Committee establishes the objectives which must be met for annual cash bonuses to be paid. Performance related cash bonuses, which recognise the relative success of the different parts of the business, may be paid to the executive directors responsible for their parts. The maximum amount payable in each year is £1,000,000 to each of the two directors. In the year under review a cash bonus was paid to Michael Brown, Investment Director.

Incentive plan
The Company operates an Incentive Plan designed to align the motivations of the senior management team with the interests of shareholders and to link their remuneration to the performance of the Company's property portfolio. The Incentive Plan operates over a five year period from 1 April 2001 and awards will vest annually subject to the achievement of challenging performance targets.

The performance targets are as follows:

– an increase in net assets

– the percentage increase in the total return on property assets of the Company for the performance period being greater than the percentage increase achieved by the portfolio ranked nearest to three-quarters up the performance table, (taken in ascending order of return) (the "Upper Quartile") of the portfolios of all quarterly valued funds measured by the Investment Property Databank at the beginning of the relevant performance period and compounded monthly during the performance period (the "IPD Total Return Benchmark"); and

– the percentage increase in net asset value per share for the performance period being greater than the percentage increase achieved by the Upper Quartile of the portfolios of all quarterly valued funds measured by the Investment Property Databank at the beginning of the relevant performance period and compounded monthly during the performance period (the "IPD Capital Growth Benchmark").

Directors' Remuneration Report
continued

The total amount of the awards payable in any one year shall be determined by:

– calculating the difference between the percentage increase in net asset value per share for the performance period and the percentage increase in the Upper Quartile of the IPD Capital Growth Benchmark over the same period (the "Difference"); and

– calculating the sum of the amounts payable in relation to each 1% of Difference on the following basis:

Amount of Difference	Per cent. of base net asset value payable
Less than 1%	0.01
1% to less than 2%	0.02
And thereafter for every additional 1%	An increment of 0.01

Among other constraints, the Committee could restrict the awards if payment would affect the financial or trading position of the Company. Under the terms of the Plan the maximum amount payable will be £4,000,000 pa in aggregate with an individual employee's participation limited to £2,000,000 pa, providing that performance targets are met in full. There is a further limit that payments under the Plan in any one year may not exceed 20% of the Group's pre-award and pre-tax profit. For disclosure purposes the vesting value of awards is included in remuneration.

Service contracts

The service contracts of Michael Slade, Nigel McNair Scott and Gerald Kaye operate from 1 July 1997 and of Michael Brown from 8 September 1997. Each service contract provides for a one year notice period. On termination of employment each director is entitled to a payment in lieu of notice of basic salary and other contractual entitlements ie provision of car and health insurance.

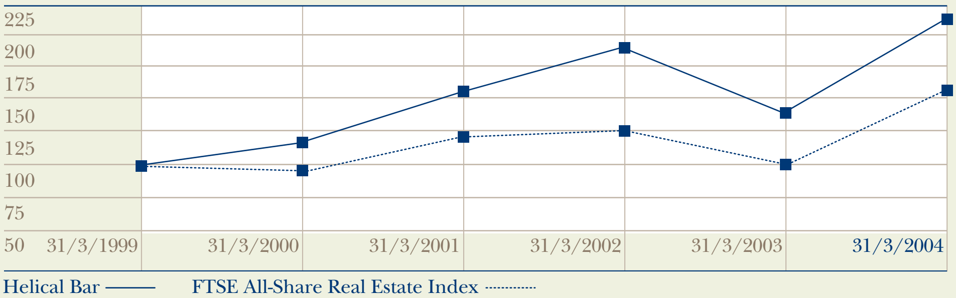
Non-executive directors

Non-executive directors are appointed for a three year term until re-appointment by shareholders at the Company's AGM. The remuneration of the non-executive directors is determined by the Board and was last increased in April 2003. Non-executive directors do not participate in any of the Company's share option schemes. The Chairman, John Southwell, is provided with a company car.

Total shareholder return

The performance criteria of the Company's 1999 share option schemes, referred to on pages 51 to 53 below, require the Company to exceed certain targets of total shareholder return. The total shareholder return for a holding in the Company's shares in the five years to 31 March 2004 is shown in the graph below.

Total shareholder return value *(Value £)*



This graph looks at the value, by 31 March 2004, of £100 invested in Helical Bar on 31 March 1999 compared with the value of £100 invested in the FTSE All-Share Real Estate Index. The other points plotted are the values at intervening financial year-ends.

Information subject to audit: Remuneration of directors

Remuneration in respect of the directors was as follows:

	Salary/fees £000	Benefits-in-kind £000	Cash bonuses £000	Gain on exercise of share options £000	Incentive plan £000	2004 Total £000	2003 Total £000	Pensions 2004 Total £000	Pensions 2003 Total £000
Chairman									
John Southwell	50	14	–	–	–	64	*58*		–
Non-executive directors									
Giles Weaver	28	–	–	–	–	28	*25*	–	–
Antony Beevor	28	–	–	–	–	28	*25*	–	–
Executive directors									
Michael Slade	511	34	–	576	396	1,517	*510*	2	*2*
Nigel McNair Scott	217	22	–	–	132	371	*201*	40	*35*
Gerald Kaye	257	29	–	–	132	418	*712*	–	–
Michael Brown	257	36	1,000	–	132	1,425	*603*	–	–
	1,348	135	1,000	576	792	3,851	*2,134*	42	*37*

The pension contributions were paid into a Small Self Administered Scheme. The assets of this money purchase scheme are administered by trustees in a fund independent from the assets of the Group.

Michael Slade was the highest paid director during the year with a total remuneration of £1,517,000 (including gain on exercise of share options) (2003: Gerald Kaye £712,000).

In order to compensate option holders for the payment of the special dividend in April 2002, the Company pays a cash bonus of 100p per share on the date option holders exercise their options. The gain on exercise of share options of Michael Slade includes a £140,378 cash bonus arising out of the exercise on 12 December 2003 of an option over 140,378 shares.

Share options

The Company operated three share option schemes during the year.

The Senior Executive 1988 Share Option Scheme ceased to be able to grant options over new shares (“subscription shares”) and shares held by the Helical Bar Share Ownership Plan Trust (“purchase shares”) in June 2001. Share options granted in respect of this scheme are included in note 21. Under this scheme options only vest if the increase in the net asset value per share is greater than that achieved by the upper quartile of the Investment Property Databank index for capital growth of all funds over a five year period. All the performance criteria of the options granted under the terms of this scheme have been met and option holders are, therefore, able to exercise their options at any date prior to their expiry.

The Helical Bar 1999 Share Option Scheme operates in respect of the grant of share options which exceed the Inland Revenue limit of £30,000. Under this scheme the aggregate market value of shares issued or issuable to an individual under this and other option schemes may not exceed eight times his annual earnings. Share options granted in respect of this scheme are included in note 21.

The Helical Bar 1999 Approved Share Option Scheme is an Inland Revenue approved scheme. Under the terms of this scheme options up to a maximum value of £30,000 per individual may be granted. Share options granted in respect of this scheme are included in note 21.

The performance criteria of the two 1999 schemes require total shareholder return over a set period to exceed a certain percentile of the aggregate performance of companies in the Real Estate Sector Index of the FTSE All-Share Index. For the approved scheme the relevant period is three years and the 50th percentile. For the unapproved scheme the relevant period is five years and 25th percentile.

Directors' Remuneration Report
continued

The directors' interests in the Share Option Schemes during the year were as follows:

	Type	At start of year	Options exercised in year	At end of year	Exercise price	Date from which exercisable	Expiry date	Gross value of options at 31 March 2004
Michael Slade								
Senior Executive 1988 Share Option Scheme	Purchase	6,000	–	6,000	452.5p	27.11.01	26.11.07	23,400
Senior Executive 1988 Share Option Scheme	Purchase	400,000	–	400,000	565.0p	10.07.02	09.07.08	1,110,000
Senior Executive 1988 Share Option Scheme	Subscription	394,000	(140,378)	253,622	452.5p	21.11.02	26.11.07	989,126
Helical Bar 1999 Share Option Scheme	Subscription	493,221	–	493,221	442.5p	08.03.04	07.03.09	1,972,884
Helical Bar 1999 Share Option Scheme	Purchase	148,000	–	148,000	750.0p	18.12.05	17.12.10	136,900
Helical Bar Approved 1999 Share Option Scheme	Subscription	6,779	–	6,779	442.5p	08.03.02	07.03.09	27,116
		1,448,000	(140,378)	1,307,622				4,259,426
Nigel McNair Scott								
Senior Executive 1988 Share Option Scheme	Purchase	50,000	–	50,000	452.5p	27.11.01	26.11.07	195,000
Helical Bar 1999 Share Option Scheme	Purchase	43,000	–	43,000	442.5p	08.03.04	07.03.09	172,000
Senior Executive 1988 Share Option Scheme	Subscription	250,000	–	250,000	412.5p	11.07.02	10.07.07	1,075,000
Helical Bar 1999 Share Option Scheme	Subscription	235,221	–	235,221	442.5p	08.03.04	07.03.09	940,884
Helical Bar 1999 Share Option Scheme	Purchase	72,000	–	72,000	750.0p	18.12.05	17.12.10	66,600
Helical Bar Approved 1999 Share Option Scheme	Subscription	6,779	–	6,779	442.5p	08.03.02	07.03.09	27,116
		657,000	–	657,000				2,476,600
Gerald Kaye								
Helical Bar 1999 Share Option Scheme	Purchase	50,000	–	50,000	442.5p	08.03.04	07.03.09	200,000
Helical Bar 1999 Share Option Scheme	Subscription	393,221	–	393,221	442.5p	08.03.04	07.03.09	1,572,884
Helical Bar 1999 Share Option Scheme	Purchase	127,000	–	127,000	750.0p	18.12.05	17.12.10	117,475
Helical Bar 1999 Share Option Scheme	Purchase	129,419	–	129,419	766.5p	15.11.06	14.11.11	98,358
Helical Bar Approved 1999 Share Option Scheme	Subscription	6,779	–	6,779	442.5p	08.03.02	07.03.09	27,116
		706,419	–	706,419				2,015,833
Michael Brown								
Senior Executive 1988 Share Option Scheme	Subscription	100,000	–	100,000	467.5p	29.09.02	28.09.07	375,000
Helical Bar 1999 Share Option Scheme	Subscription	293,221	–	293,221	442.5p	08.03.04	07.03.09	1,172,884
Helical Bar 1999 Share Option Scheme	Purchase	106,000	–	106,000	750.0p	18.12.05	17.12.10	98,050
Helical Bar 1999 Share Option Scheme	Purchase	100,418	–	100,418	766.5p	15.11.06	14.11.11	76,318
Helical Bar Approved 1999 Share Option Scheme	Subscription	6,779	–	6,779	442.5p	08.03.02	07.03.09	27,116
		606,418	–	606,418				1,749,368

On 12 December 2003 Michael Slade exercised a subscription option over 140,378 shares at 452.5p. The shares acquired were sold on the same day for 772.5p per share providing a net gain of £436,000.

The market price of the ordinary shares at 31 March 2004 was 842.5p (2003: 572.5p). This market price varied between 567.5p and 842.5p during the year.

Special dividend

In order to compensate option holders for the payment of a special dividend or a distribution of capital, the Board has, under the terms of the Executive 1988 Option Scheme and the Helical Bar 1999 Option Scheme ("the Schemes"), the authority to adjust the number of shares subject to option or the exercise price of those options.

The Company is currently unable to increase the number of shares under option in sufficient quantity to satisfy the requirement to compensate option holders for the special dividend of 100p paid in April 2002. An adjustment to the exercise price of the existing options would result in an increased national insurance cost to the Company. Accordingly, the Board has considered alternative ways of compensating option holders and, as a result, the Company will compensate holders of options at the time the special dividend was declared, on the dates they exercise their options by 100p per share, equivalent to the special dividend. In the year under review compensation of £140,378 was paid following the exercise of options over 140,378 shares.

Performance Share Plan

At the Annual General Meeting on 28 July 2004 the Company will be seeking approval for the adoption of a Performance Share Plan ("PSP"). Further details are provided in the enclosed circular but an outline of the proposed plan is as follows:

- awards will be made over shares of the Company as a percentage of salary, with the number of shares fixed at the date the award is made.
- there will be two performance criteria which will be tested on the third anniversary of the grant of each award.
- the first criteria will require fully diluted triple net asset value per share (after adding back dividends) to increase at an annual compound rate over the three year period.
- the second criteria will compare the Total Property Return on the Group's property portfolio to the return on the properties included in the Investment Property Databank.
- there will be no retesting of performance if the conditions are not met on the third anniversary of the grant of each award.

Helical Bar 2002 Approved Share Incentive Plan

On 24 July 2002 the shareholders approved the Helical Bar 2002 Approved Share Incentive Plan (the "Plan"). Under the terms of this Plan employees of the Company are given up to £3,000 of free shares in any tax year. Participants in the Plan may purchase additional shares up to a value of £1,500 which is matched in a ratio of 2:1 by the Company. Provided participants remain employed by the Company for a minimum of three years they will retain the free and matching shares.

Shares allocated to, or purchased on behalf of, the directors under the rules of the Plan were as follows:

	10 June 2003 at 632.5p	30 September 2003 at 750p	23 December 2003 at 765p
Michael Slade	651	167	164
Nigel McNair Scott	651	167	164
Gerald Kaye	651	167	164
Michael Brown	651	167	164

Shares held by the Trustees of the Plan at 31 March 2004 were 34,883 (2003: 18,425).

Helical Bar Profit Sharing Scheme

The Helical Bar Profit Sharing Scheme ("Scheme") has operated since 1997 but was replaced by the Helical Bar 2002 Share Incentive Plan during 2002. No shares were allocated to employees of the Company during the year.

Shares held by the Scheme at 31 March 2004 were 54,971 (2003: 63,626).

Report of the Independent Auditors to the Members of Helical Bar plc

We have audited the financial statements of Helical Bar plc for the year ended 31 March 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the notes on historical cost profits and losses, the reconciliation of movements in shareholders funds and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with the relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, the development programme, investment portfolio, financial review and the corporate governance statement. 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.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 and the part of the directors' remuneration report to be audited. 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 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

– the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the Group's profit for the year then ended; and
– the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
London
17 June 2004

Corporate Social Responsibility

Helical Bar plc recognises and acknowledges that the conduct of its business has an impact on its employees, its partners, its customers and suppliers and the economy, community and environment of its property portfolio. An indication of the Company's commitment to good corporate social responsibility is its inclusion on the FTSE4Good UK Index, a benchmark index of companies which meet criteria set down by EIRIS (Ethical Investment Research Service) on environmental, social and ethical performance.

The criteria established by EIRIS encompass corporate governance, environment, human rights, stakeholder issues, employee issues and customers and suppliers. The Company's corporate governance policies are noted on page 47 above and on the environment on page 56. The Company has no business activities in any countries which have unacceptable human rights records. The Company's relationship with its key stakeholders, its shareholders is noted on page 47 above.

Employees

Helical Bar plc is committed to non-discrimination in all its forms and supports the training and development of all its employees. The Company actively encourages participation in the ownership of the business through the operation of a Share Incentive Plan authorised by shareholders at the 2002 AGM. This Plan replaced the Profit Sharing Scheme which had operated since 1997. All employees are eligible to benefit from Company contributions into personal pension plans or into the Company's Stakeholder Pension Plan.

Statement of General Health and Safety Policy

Helical Bar's policy is to develop a culture throughout its organisation that is committed to the prevention of injuries and ill health to its employees or others that may be affected by its activities.

The Board of Directors and senior staff are responsible for implementing this policy throughout the Company and must ensure that health and safety considerations are always given priority in planning and in day-to-day activities.

Helical Bar recognises its legal responsibility for health and safety. The Managing Director has overall responsibility for policy formulation, development and implementation. The Company shall liaise and co-operate with the appropriate authorities and will obtain expert advice where necessary to determine the risks to health and safety in its activities.

Facilities will be provided for employer/employee consultation on health and safety matters. All employees are expected to co-operate with the Company to achieve the objectives of this policy and must ensure that their own work, so far as is reasonably practicable, is carried out without risk to themselves or others.

The Company is committed to providing information and necessary ongoing training to employees in respect of risks to health and safety, which may arise out of their activities or at their workplace.

This policy statement will be displayed prominently at all Company offices and the organisation and arrangements for implementing this policy will be available at all Company offices for reference.

The policy will be reviewed and updated as necessary and any revisions will be communicated to those affected by the changes.

Community involvement

Helical Bar plc has for many years joined in efforts to raise money for charitable causes. Alternating each year the Company organises a mass entry under the Helical banner into the London marathon and the London to Brighton Bike Ride raising money for the British Heart Foundation and other charities. The Company's Managing Director Mr Michael Slade, has recently taken over as President of the Land Aid Charitable Trust, a charity established in 1985 to focus the fund-raising efforts of the property industry. Land Aid's mission is to support the homeless and vulnerable by raising funds to help provide accommodation, assist in refurbishment projects and give financial assistance where needed. The Company also makes charitable donations in its own right and in the year under review the donations amounted to £21,364 (2003: £13,936).

Corporate Social Responsibility
continued

Environmental policy and objectives

Helical Bar's environmental policy statement was first adopted in 2001. The policy was formally reviewed during 2003, following a detailed analysis of the Company's portfolio of developments, investments, and trading properties, which culminated in a formal register of significant environmental aspects and impacts. The findings of the detailed analysis and environmental review undertaken during 2003 were presented to the Board and senior management.

Following the review, no amendments were made to the policy, which is listed in full below.

"Helical Bar plc is a property development and investment company. Our activities comprise the development of commercial and industrial property and the management of a portfolio of offices, retail and industrial properties in the UK. We recognise our responsibility to reduce any adverse environmental impacts arising from our business activities and we will try to improve the environment wherever possible.

Working within the existing regulatory framework and complying with all the environmental legislation that applies to our activities, we also seek to continuously improve our environmental performance by moving beyond compliance, wherever practicable, and achieving good environmental standards in both our developed and managed buildings. In order to do so, we will engage proactively with our numerous contractors, suppliers and agents in order to ensure that they are aware of our environmental commitments and have the necessary skills to deliver them."

We will implement this policy throughout our development and management activities, including the important stages of design and construction.

The policy is accompanied by a set of corporate environmental objectives, which were also subjected to formal review during 2003 to ensure their ongoing appropriateness, leading to a number of changes. The objectives relate specifically to the most significant environmental impacts arising from the Company's core activities, as represented by those that are within Helical Bar's direct control, their frequency of occurrence and the severity of the ensuing consequences. These significant impacts differ according to different activities and different property types but the common ones include energy use (and climate change), water use, waste management, procurement and transport. The corporate environmental objectives are listed on the corporate website at www.helical.co.uk.

During 2003, 19 environmental targets were agreed to accompany the revised environmental objectives and to address Helical Bar's most significant impacts. These targets will be reviewed at the end of 2004, and will form the basis of a more detailed report on the Company's environmental achievements. In addition, Helical Bar has begun to monitor its environmental performance more consistently against a set of agreed environmental performance indicators related to site selection, investment and development. Baseline environmental performance in these areas will be used in future to set performance improvement targets.

Finally, a corporate environmental manual has been formally established, which is available to all staff throughout the organisation and which contains the formal procedures that must be implemented across the various Company activities.

Helical Bar is in the process of actively communicating with its managing agents, development consultants, and advisers all of whom play an important role in the implementation of the Environmental Monitoring System.

Financial Calendar

Year ended 31 March 2004
Annual General Meeting to be held 28 July 2004
Final ordinary dividend payable 29 July 2004

Half year ending 30 September 2004
Results and interim ordinary dividend announced November 2004
Interim ordinary dividend payable December 2004

Year ending 31 March 2005
Results and final dividend announced June 2005
Final ordinary dividend payable July 2005

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