HELICAL BAR plc Report & Accounts 2014

# HELICAL BAR

Report & Accounts
2014

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WE COMBINE OUR INVESTMENT AND DEVELOPMENT ACTIVITY TO SEEK MAXIMUM RETURNS THROUGH WELL SELECTED AND CAREFULLY MANAGED SCHEMES. WE INVEST IN LONDON FOR CAPITAL GROWTH AND THE REGIONS FOR INCOME.

# WHAT WE DO





Helical Bar plc is a property investment and development company which operates across many sectors of the property industry. We aim to deliver market-leading returns by acquiring high-yielding investment properties, applying a rigorous approach to asset management and deploying limited equity into development situations which have the potential to be highly profitable.

The Group's principal areas of business include high-yielding retail investments, central London office investments, central London office refurbishment and development projects, regional pre-let food store developments and retirement villages. We invest in London for capital growth and the regions for income.

The Group's property portfolio had a fair value of £802m at 31 March 2014 (31 March 2013: £626m) with investment properties accounting for 75% and developments 25%.

**BARTS SQUARE**
LONDON EC1

225,500 SQ FT OFFICES

215 RESIDENTIAL APARTMENTS

21,800 SQ FT RETAIL/LEISURE

## LONDON IS A CORE PART OF OUR GROWTH STRATEGY

# INTRODUCTION

# FINANCIAL HIGHLIGHTS

## TOTAL PROPERTY RETURN

£140.1m

| | |
|---|---|
| 2014 | £140.1m |
| 2013 | £35.9m |
| 2012 | £27.5m |

## PROFIT BEFORE TAX

£101.7m

| | |
|---|---|
| 2014 | £101.7m |
| 2013 | £5.0m |
| 2012 | £7.4m |

## PORTFOLIO RETURN

23.8%

| | |
|---|---|
| 2014 | 23.8% |
| 2013 | 8.6% |
| 2012 | 5.6% |

## DILUTED EPRA EARNINGS PER SHARE

32.5p

| | |
|---|---|
| 2014 | 32.5p |
| 2013 | 2.4p |
| 2012 | 3.4p |

## TOTAL DIVIDEND PAID PER SHARE

5.70p

| | |
|---|---|
| 2014 | 5.70p |
| 2013 | 5.25p |
| 2012 | 4.90p |

## TOTAL SHAREHOLDER RETURN

61.1%

| | |
|---|---|
| 2014 | 61.1% |
| 2013 | 28.4% |
| 2012 | -28.4% |

## SEE-THROUGH PORTFOLIO VALUE

£802m

| | |
|---|---|
| 2014 | £802m |
| 2013 | £626m |
| 2012 | £573m |

## IFRS NET ASSETS

£341m

| | |
|---|---|
| 2014 | £341m |
| 2013 | £254m |
| 2012 | £254m |

## DILUTED EPRA NET ASSET VALUE PER SHARE

313p

| | |
|---|---|
| 2014 | 313p |
| 2013 | 264p |
| 2012 | 250p |

## SEE-THROUGH LOAN TO VALUE

46%

| | |
|---|---|
| 2014 | 46% |
| 2013 | 46% |
| 2012 | 49% |

## SEE-THROUGH GEARING

109%

| | |
|---|---|
| 2014 | 109% |
| 2013 | 113% |
| 2012 | 110% |

## NET INTEREST COVER RATIO

8.3x

| | |
|---|---|
| 2014 | 8.3x |
| 2013 | 2.7x |
| 2012 | 2.8x |

Note: The see-through figures are reconciled to statutory figures on pages 109-110.

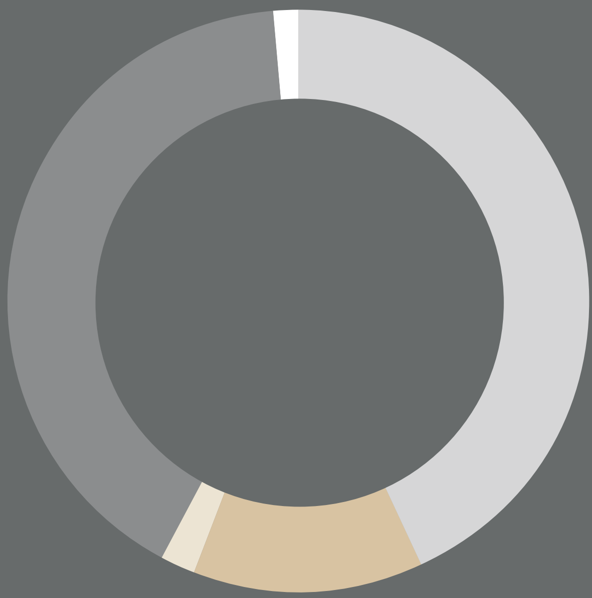
# THE PORTFOLIO

## OVERALL PORTFOLIO SPLIT

| | |
|---|---|
| INVESTMENT | 75% |
| DEVELOPMENT | 25% |

## INVESTMENT PORTFOLIO

| | |
|---|---|
| LONDON OFFICES | 43.1% |
| PROVINCIAL OFFICES | 12.7% |
| INDUSTRIAL | 2.1% |
| RETAIL | 40.9% |
| RETIREMENT VILLAGE | 1.2% |



## TRADING AND DEVELOPMENT PORTFOLIO (HELICAL'S SHARE)

| Project type | Book value £m | Fair value £m | Surplus £m | % of development portfolio (fair value) |
|---|---|---|---|---|
| LONDON OFFICE | 15.4 | 21.4 | 6.0 | 10.7 |
| RETAIL | 25.1 | 27.2 | 2.1 | 13.5 |
| INDUSTRIAL | 0.3 | 0.4 | 0.1 | 0.2 |
| MIXED USE | 2.9 | 2.9 | - | 1.4 |
| CHANGE OF USE | 4.9 | 8.3 | 3.4 | 4.1 |
| RETIREMENT VILLAGES | 64.6 | 80.5 | 15.9 | 40.1 |
| POLAND | 60.3 | 60.3 | - | 30.0 |
| **TOTAL** | 173.5 | 201.0 | 27.5 | **100.0** |

Note: the table above includes the Group's share of development properties held in joint ventures.

# REVIEW OF THE YEAR

## INVESTMENT PROPERTIES

**MAPLE HOUSE, LONDON EC1**
Acquired in June 2013, Maple House is an existing four storey 50,000 sq ft office building with an extensive refurbishment planned, including an additional floor.

**NEW LOOM HOUSE, LONDON E1**
The Group acquired this 112,000 sq ft multi-let, listed Victorian 'warehouse' style office building at a net initial yield of just under 5% in July 2013. Helical will undertake a comprehensive, phased refurbishment which will greatly enhance and reposition the building.

**QUARTZ PORTFOLIO**
The Group acquired this portfolio of regional properties for circa £50m, representing a yield in excess of 8%. The portfolio comprises five retail and leisure assets, four office properties and one industrial asset.

**HUDDERSFIELD RETAIL PARK**
Helical bought this 97,000 sq ft multi-let retail park in September 2013 at a net initial yield of 7.2%. The retail park is fully let to tenants including Matalan, Dunelm, Aldi and B&M.


MAPLE HOUSE


NEW LOOM HOUSE

**ENTERPRISE HOUSE, PADDINGTON, LONDON W2**
In October 2013, the Group bought this 45,000 sq ft office building on a sale and lease back deal from Network Rail at a 5.7% yield.

**ARTILLERY LANE, LONDON E1**
In December 2013 Helical acquired this 17,000 sq ft building off market. The Group plans to refurbish and relet the building.

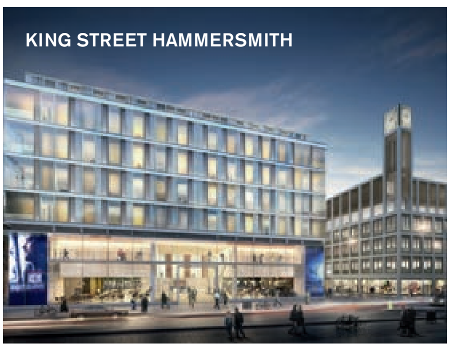
**CHURCHGATE HOUSE AND LEE HOUSE, MANCHESTER**
In March 2014, Helical bought these two inter-linked multi-tenanted office buildings for £34m. Bought at a net initial yield of 5.9%, the buildings, comprising 250,000 sq ft, were 35% vacant offering the Group opportunities to increase income through letting space. 34,000 sq ft has been let since acquisition.


ENTERPRISE HOUSE


ARTILLERY LANE

## DEVELOPMENT PROPERTIES

**LEISURE PLAZA, MILTON KEYNES**
Helical and its joint venture partner Abbeygate agreed the forward funding with Aviva of this retail and leisure scheme at Leisure Plaza in Milton Keynes. The scheme comprises an 80,000 sq ft supermarket pre-let to Morrisons, 33,000 sq ft of retail and an ice rink.

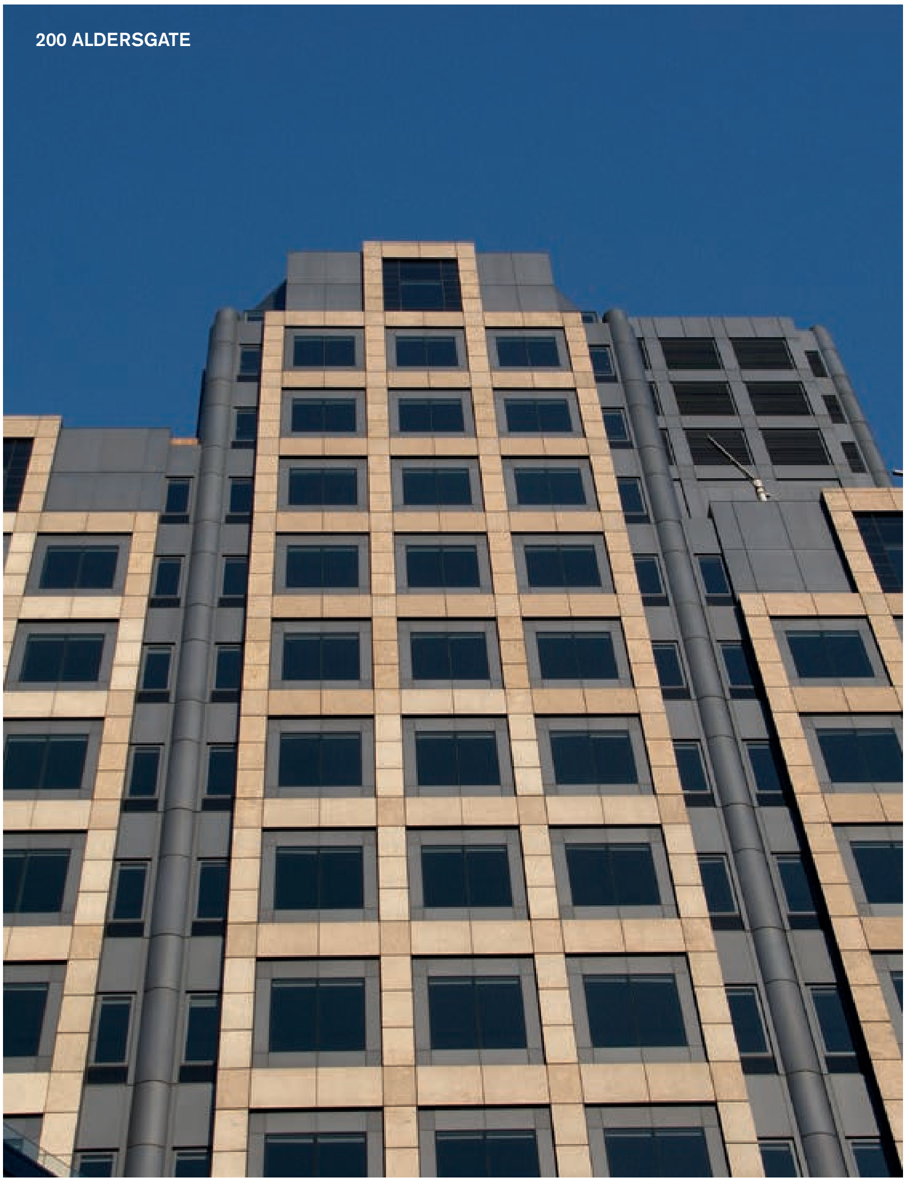

KING STREET HAMMERSMITH

**BRICKFIELDS, WHITE CITY, LONDON W12**
In September 2013 Aviva, Helical's joint venture partner, sold this 10 acre site crystallising a substantial profit payment for the Group.

**200 ALDERSGATE, LONDON EC1**
Working with Deutsche Pfandbriefbank, Helical led the refurbishment and letting of 200 Aldersgate, comprising 365,000 sq ft of offices and retail. Last summer, Helical completed the final letting which enabled the building to be sold in September 2013, triggering a substantial development management profit share payment for the Group.

**PARKGATE, SHIRLEY, WEST MIDLANDS**
At Parkgate, Shirley, in joint venture with Coltham Developments, construction continued of an 80,000 sq ft Asda foodstore, and 78,000 sq ft of retail and leisure accommodation, 66% of which has been pre-let.

**KING STREET, HAMMERSMITH, LONDON W6**
Helical and its joint venture partner, Grainger, received planning consent in April 2014 for their regeneration scheme at King Street, Hammersmith. The redevelopment will provide 196 high quality new homes, a three-screen cinema, new retail, restaurant and café space, replacement offices for the Council and a new public square.



200 ALDERSGATE

**Retirement village development loan facilities**
During the year, Helical agreed a £14m facility with Barclays and a £25m facility with HSBC to fund the development of the retirement village schemes at Millbrook Village, Exeter and Maudslay Park, Great Alne respectively.

DURRANTS VILLAGE

## SALES

Since March 2013 the Group sold over £72m of investment properties including Silverthorne Road, Battersea London SW8; Crownhill Business Centre, Milton Keynes; the TK Maxx unit in the Morgan Quarter, Cardiff and the Asda unit at Clyde Shopping Centre, Clydebank.

The Group sold £16m of development properties including retirement village units at our developments at Bramshott Place, Liphook, Hampshire and Durrants Village, Faygate, Horsham; some of the residential land at Parkgate, Shirley and part of the Ropemaker Park, Hailsham.

BRICKFIELDS, WHITE CITY

## FINANCING

**Retail bond issue**
The Group issued an £80m retail bond in June 2013 at a fixed rate of 6%, repayable in June 2020.

**Barclays - Revolving Credit Facility**
In June 2013, the Group agreed a £75m revolving credit facility with Barclays.

**Aareal - Gliwice, Poland**
In December 2013 the £72m facility with Aareal Bank AG for the out of town retail scheme at Europa Centralna, Gliwice converted from a development facility to a four year investment facility.

**Deutsche Pfandbriefbank multi-asset investment facility**
In December 2013 Helical agreed a new c.£100m five year facility with Deutsche Pfandbriefbank.

**Deutsche Bank - Old Street, London EC1**
Crosstree Real Estate Partners and Helical agreed an £88m three year development facility with Deutsche Bank in January 2014 to fund phase one of the development of The Bower, Old Street.

## POST YEAR END TRANSACTIONS

In April 2014, the Group acquired a portfolio of ten properties for a total consideration of £40.15 million, reflecting an 8.35% net initial yield.

The portfolio, with a total floor area of circa 633,000 sq ft, includes modern high bay logistics facilities in Burton on Trent, Daventry, Leicester, Rugby, Doncaster and Warrington all located close to major motorway networks. The logistics properties constitute in excess of 80% of the portfolio by value, with the remainder comprising regional and headquarter office space.

On 10 June 2014 the Group announced the issuance of a £100m convertible bond carrying a coupon of 4.00% with an initial conversion price in June 2019 of £4.9694 per share.

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## INVESTMENT

### 207-211 OLD STREET
LONDON EC1

3.1 ACRE SITE

230,000 SQ FT OFFICES ACROSS 3 BUILDINGS

54,000 SQ FT OF RETAIL SPACE

### THE BOWER, OLD STREET
LONDON EC1

**PHASE ONE**

| | |
|---|---|
| THE WAREHOUSE | 127,746 SQ FT |
| THE STUDIO | 22,346 SQ FT |
| EMPIRE HOUSE | 16,006 SQ FT |

**PHASE TWO**

| | |
|---|---|
| 207 OLD STREET | 114,944 SQ FT |
| RETAIL | 53,990 SQ FT |

# LONDON PORTFOLIO >

**Shepherds Building**
Shepherds Bush W14

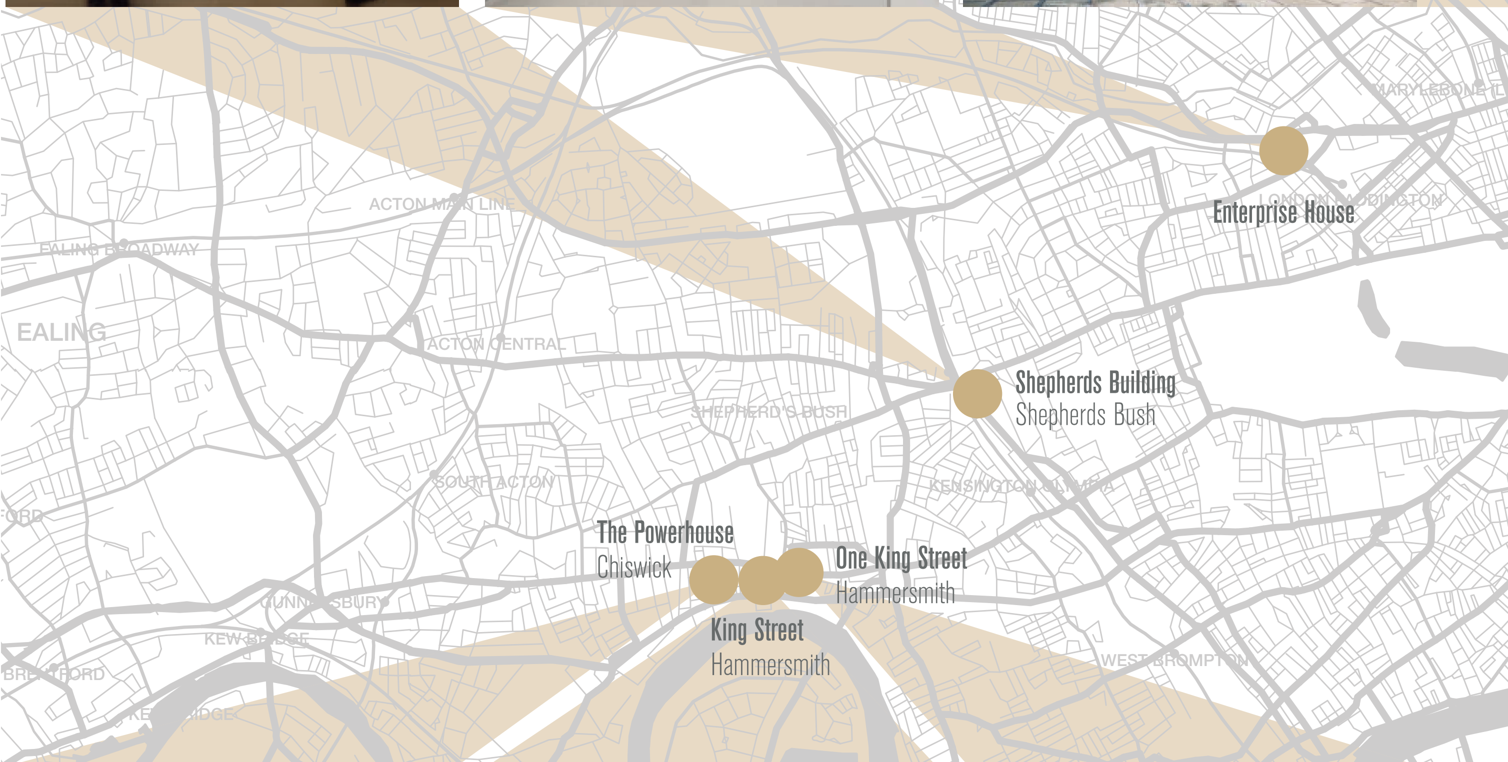
**151,000 sq ft** office building. Major refurbishment of the common parts of the building completed

**Enterprise House** W2

**45,000 sq ft** office building let to Network Rail

**The Bower, 207 Old Street** EC1

**3.12 acre** site
Since acquisition, plans have been developed to substantially increase the amount of space on site. Planning granted




**The Powerhouse**
Chiswick W4

**24,000 sq ft** recording studio and office building

**King Street**
Hammersmith W6

**357,000 sq ft** mixed use regeneration project for Hammersmith and Fulham Borough Council

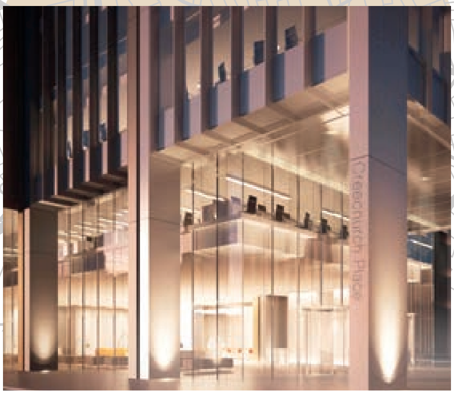
**One King Street**
Hammersmith W6

**35,000 sq ft** office and retail building adjacent to Hammersmith Broadway

THROUGH JUDICIOUS BUYING OF UNDER-RENTED BUILDINGS IN GROWTH AREAS, SECURING LETTINGS AND UNDERTAKING REFURBISHMENTS, HELICAL AIMS TO GENERATE SUBSTANTIAL CAPITAL GROWTH IN ITS PROPERTY VALUES.


**Barts Square** EC1

**225,500 sq ft** of office space. 215 high quality residential apartments in 17 buildings. Retail space on ground floor



**Creechurch Place** EC3

**271,000 sq ft** of offices. **2,000 sq ft** of retail

**New Loom House** E1

**112,000 sq ft** office building undergoing phased refurbishment

# RETAIL PORTFOLIO >

**Huddersfield Retail Park** Huddersfield

Fully let retail park with tenants including Matalan, Aldi and Dunelm

**Corby Town Centre** Corby

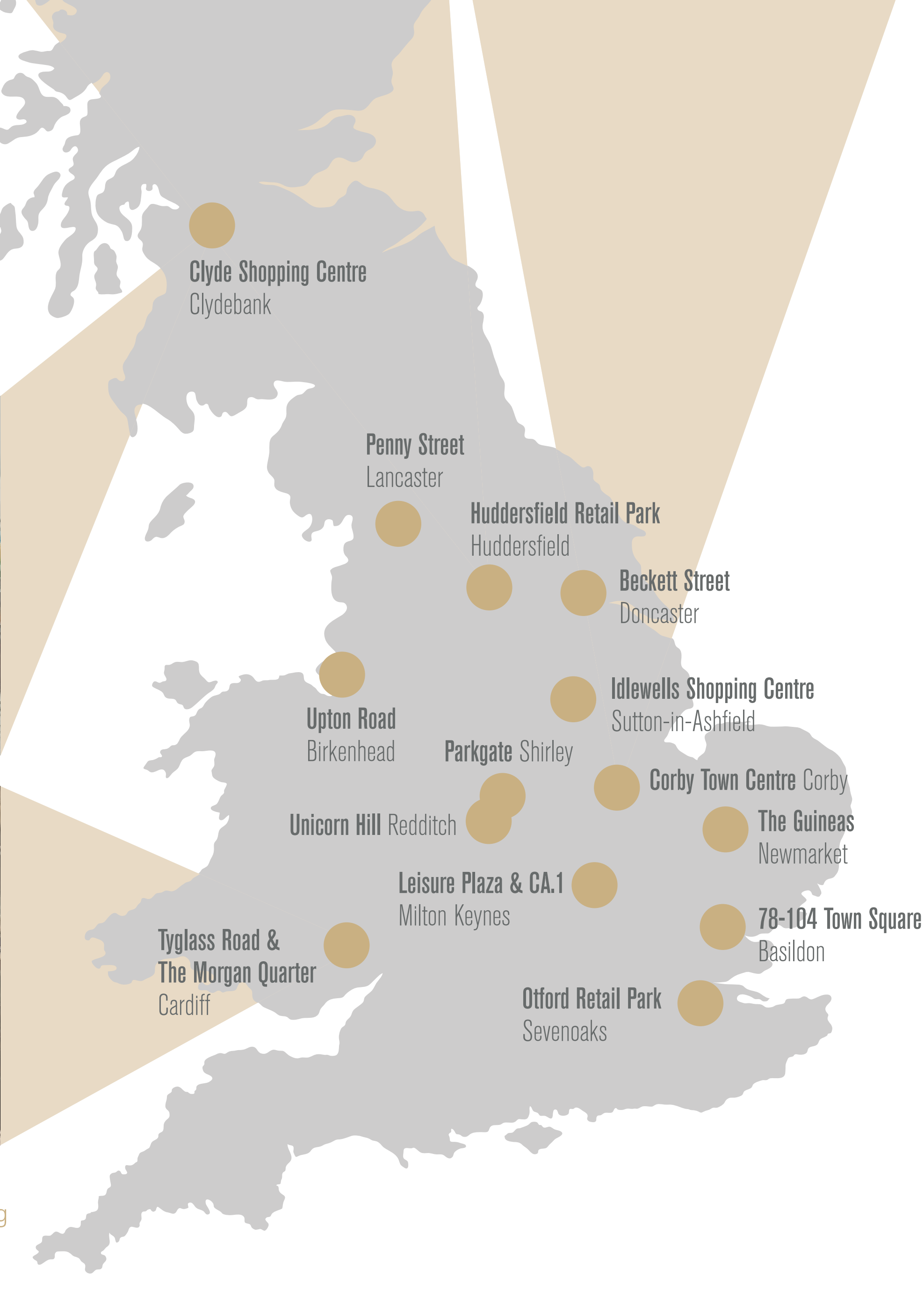
Comprising in excess of **750,000 sq ft** of retail space including Willow Place Shopping Centre and the Oasis Retail Park. Helical owns the majority of the town centre

**Clyde Shopping Centre** Clydebank

120 unit, **625,000 sq ft** shopping centre

**Morgan Quarter** Cardiff

Prime Cardiff retail with tenants including Urban Outfitters and Jack Wills



# REGIONAL PORTFOLIO >

**Europa Centralna** Gliwice

A **c.720,000 sq ft** retail park and shopping centre



**St Vincent Street** Glasgow

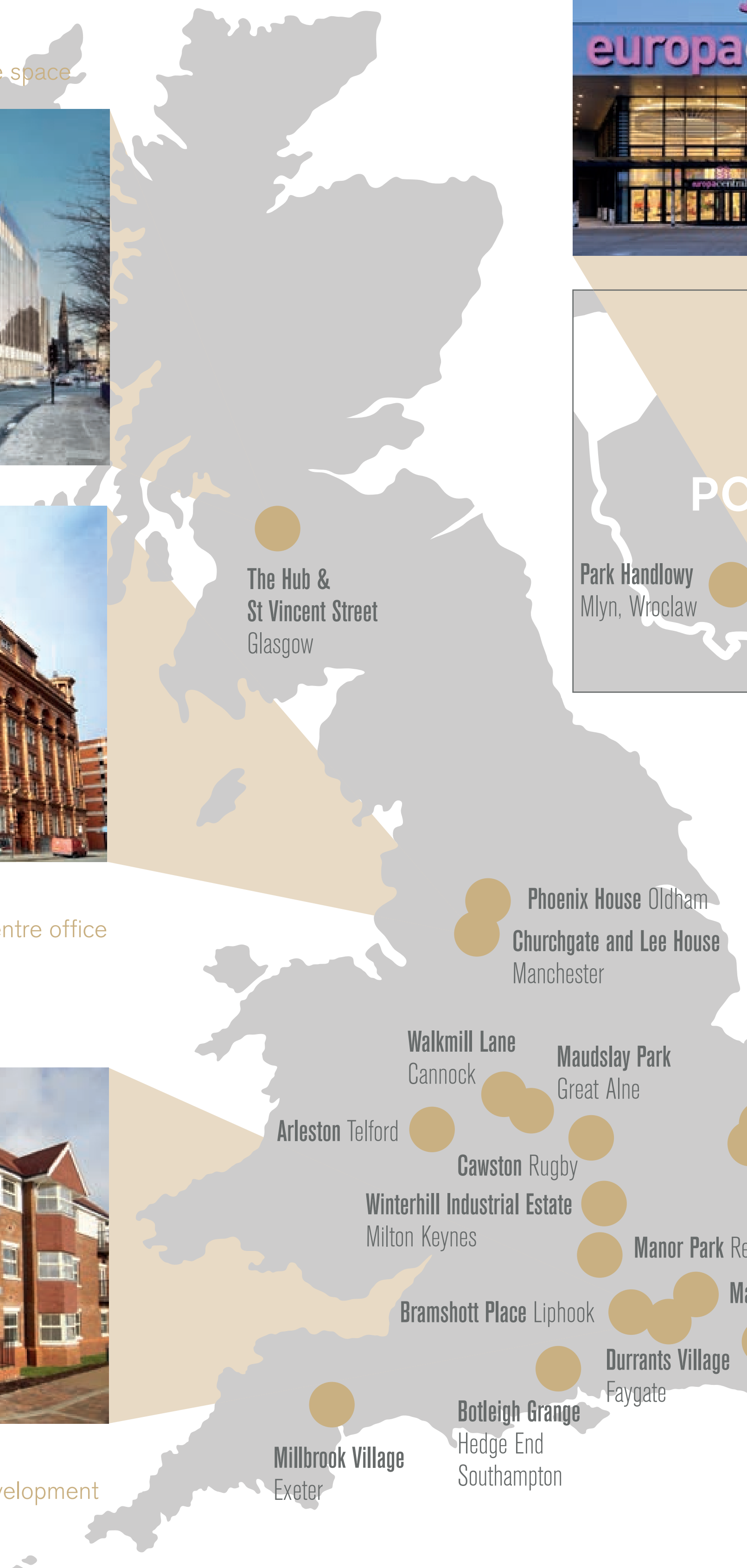
**220,000 sq ft** of pre-let office space

**Churchgate and Lee House** Manchester

**250,000 sq ft** multi-let city centre office

**Durrants Village** Faygate

**171** unit retirement village development




DEVELOPMENT

**St Vincent Street**
GLASGOW

**220,000** SQ FT

OFFICE BUILDING
PRE-LET TO
SCOTTISH POWER

# CHAIRMAN'S STATEMENT





**Your company has produced record results with pre-tax profits of £101.7m, being the highest since it became a property company in 1984, 30 years ago. The total unleveraged return of its property portfolio, as measured by IPD, was 23.8%, compared to the IPD Universe of March valued funds of 13.4%.**

Total property return increased by 290% to £140.1m (2013: £35.9m) and included continued growing rents of £29.8m (up 21.6% on 2013) and development profits of £65.0m (2013: £7.0m), a remarkable increase of 828%! Diluted EPRA net asset value per share increased by 18.6% to 313p (2013: 264p). Total Shareholder Return for the year to 31 March 2014 was 61.1%, compared to returns of companies in the FTSE 350 Real Estate Super Sector Return Index of 27.4% and for the wider UK Equity Market as a whole of 8.8%. These record results allow the Board to continue its progressive dividend policy and to recommend to shareholders a final dividend of 4.75p, an increase of 28% on 2013 (3.70p), taking the total for the year to 6.75p, an overall increase of 22% (2013: 5.55p).

This year's results reflect the culmination of many years' work on two very profitable schemes on which Helical acted as development manager. Details of the projects at White City, London W12 and 200 Aldersgate, London EC1 are set out later in this report but together they contributed £61.0m (2013: £1.0m) of the £65.0m development profit made by the Group during the year. Our decision to invest in the regions for income and in London for capital growth continues to create shareholder value with see-through net rents of £29.8m and gains on sale or revaluation of the investment portfolio of £45.0m, including an 18.6% valuation increase on our London assets. We now have an investment portfolio of over £600m of which 43% is in London and the remaining 57% in regional assets mainly, but not solely, held for income generation.

**18.6%**

INCREASE IN DILUTED EPRA NET ASSET VALUE PER SHARE

**£600m**

INVESTMENT PORTFOLIO

**46%**

LOAN TO VALUE

**£101.7m**

PRE - TAX PROFITS

**61.1%**

TOTAL SHAREHOLDER RETURN

**22%**

INCREASE IN TOTAL DIVIDEND

The expansion of the Company's activities by investing in London and the regions was financed by the proceeds of an £80m Retail Bond issued in June 2013, and bank facilities provided by our banking partners. Our business model is predicated on the basis that we are able to read and understand the real estate cycle. We use gearing on a tactical basis, being raised to accentuate property performance when property returns are judged to outperform materially the cost of debt. However, we remain nimble enough to reduce our exposure to the cycle at the appropriate time. Our medium to long term target for our loan to value, the ratio of net borrowings to the value of property, is 50% and at 31 March 2014 this ratio was 46% (2013: 46%).

The Group is well positioned to face the future with a sound financial base, having increased its income stream by replacing low growth assets with higher yielding retail properties, refinancing maturing debt with longer term bank facilities and reducing its exposure to any future interest rate rises by entering into hedging instruments, taking advantage of low interest rates. In addition, and with the backing of the major property lending banks, the Group has access to a number of new bank facilities which, when added to its cash balances, provides a level of liquidity and resources that enable it to continue to rebalance its portfolio. We believe that there are further opportunities in today's real estate market to add to the portfolio, boosting income returns and the potential for capital gains.

In my statement in May 2013 I noted that I believed we were on the cusp of returning to delivering outperformance. These results are the vindication of that belief. Looking forward, our London development schemes at The Bower, Old Street, Barts Square, Maple House, Clifton Street, Creechurch Place and Hammersmith Town Hall provide comfort that, in the absence of a major economic downturn, and with an investment portfolio providing growing income and capital surpluses, the Company is well placed to continue to deliver outperformance and ongoing value for shareholders.

**Nigel McNair Scott**
Chairman

19 June 2014

# CHIEF EXECUTIVE'S STATEMENT

**"Helical aims to deliver market leading returns by acquiring higher yielding investment properties, applying a rigorous approach to asset management and deploying limited equity through a variety of different structures into development situations which have the potential to be highly profitable."**

The first half of the financial year was dominated by the outstanding success of the projects at White City, London W12 and at 200 Aldersgate, London EC1. It would be wrong not to reflect on these results as both schemes illustrate the 'Helical model' of applying limited equity and hard work to create exceptional performance. To remind shareholders, these two projects resulted in a net cash receipt of £62m, an outstanding return on a total of £1.5m invested.

We acquired the 10 acre site south of the A40 at White City in joint venture with Aviva and worked with them over a number of years helping to create the vision for the Mayor's Opportunity Area, resulting in a resolution to grant planning permission for a 1.5m sq ft mixed use development. The site was sold to Imperial College in September 2013 crystallising the substantial profit payment.

The second significant transaction involved us working with Deutsche Pfandbriefbank on the refurbishment and letting of the 367,000 sq ft office and retail building at 200 Aldersgate, EC1. Last summer we completed the final letting and oversaw the sale of the building for £228m and, as a result, Helical received a substantial profit-share payment. My fellow directors Gerald Kaye and Matthew Bonning-Snook deserve recognition for these outstanding achievements.

Shareholders will recall that at the time of the 2012 accounts we undertook to augment our investment portfolio to 75% of the Company's assets, reducing the development/risk element of the business to 25%. I am pleased to report that we have achieved what we set out to do.

We also undertook at that time to divide the investment portfolio between investments in the regions (shopping centres, retail parks and logistics) chosen for high yields and income, and assets in central London to provide capital growth. I am pleased to report that by recycling our capital and taking advantage of the successful issue of an £80m retail bond last summer, we have been able to increase the size of our share of the property portfolio to over £800m. We have maintained the high yields from our regional investments and achieved an 18.6% capital gain from our investment assets in central London.

**18.6%**

CAPITAL GAIN ON LONDON ASSETS

**396,000 SQ FT**

SIZE OF REFURBISHED OFFICES AT THE BOWER, EC1

**94 APARTMENTS**

FIRST PHASE OF BARTS SQUARE

**£62m**

NET CASH RECEIPTS ON WHITE CITY, W12 AND 200 ALDERSGATE, EC1

**75:25**

RATIO OF INVESTMENT TO DEVELOPMENT

**£80m**

RETAIL BOND ISSUE

We are now turning our attention to our current development portfolio as it is these schemes, together with continuing capital gains in our investments that will drive the Company forward in the future. We are particularly pleased to have agreed a joint venture with HOOPP (Healthcare of Ontario Pension Plan) to develop speculatively the 273,000 sq ft office scheme in EC3, now renamed Creechurch Place. We are beginning construction this summer for delivery in Q4 2016.

We, in partnership with Crosstree Real Estate Partners, are now on site at our 396,000 sq ft office refurbishment at The Bower, Old Street, EC1. Further developments at Maple House, City Road, EC1 and Clifton Street, EC2 complete our programme in the burgeoning Shoreditch tech belt. At Barts Square, EC1, our scheme in partnership with Baupost, we are on track to start the first phase of 94 apartments in January 2015. Subsequent phases comprise two office buildings of 202,000 sq ft and 23,500 sq ft, a further 121 apartments and retail/A3.

Working jointly with Grainger, we have received planning consent for a mixed use development adjoining Hammersmith Town Hall that comprises offices for the Council, 196 apartments, a cinema, retail, restaurant and café space. At the same time, work on our 220,000 sq ft pre-let and pre-sold development for Scottish Power in Glasgow proceeds to plan. We live in a time of short supply in most sectors yet the improving economy is giving rise to strong occupational demand. Helical has been fortunate in timing its development acquisitions; all are well structured financially and we look forward to delivering and monetising these projects over the next few years.

We have had an outstanding year and are exactly where we planned to be. No doubt there will be a few blips along the way, but we remain positive on the prospects for our market place. We continue to focus on London offices and high yielding regional property for the investment portfolio whilst building out the London development programme. We remain highly focused, highly incentivised and confident in our prospects over the next two to three years.

It remains for me to thank all the members of the team for their outstanding efforts and also to express my thanks to the members of the Board, our bankers, the many professionals who have advised us so well and to you our shareholders.

**Michael Slade**
Chief Executive

19 June 2014

# BARTS SQUARE
LONDON EC1



## CHURCHGATE & LEE HOUSE
MANCHESTER

**250,000** SQ FT

OFFICES ACROSS
2 BUILDINGS
OVER 8 FLOORS

THE GROUP'S MAIN OBJECTIVE IS TO MAXIMISE GROWTH IN ASSETS FROM INCREASES IN INVESTMENT PORTFOLIO VALUES AND FROM RETAINED EARNINGS FROM OTHER PROPERTY RELATED ACTIVITIES.

# STRATEGIC REPORT

# OBJECTIVES, STRATEGY AND BUSINESS MODEL

**The Group's objective is to deliver market leading returns by acquiring high yielding investment properties, applying a rigorous approach to asset management and deploying limited equity through a variety of different structures into development situations which have the potential to be highly profitable.**

**The Company aims to make excellent returns for its shareholders (which include the management team who own 15% of the Company) through a variety of high margin activities.**

## OUR BUSINESS MODEL AND STRATEGY

**Investment strategy**

The investment portfolio, which is mainly let and income producing, has two main purposes:

- To provide a steady income stream to cover overheads, interest and dividends;
- To produce above average capital growth in the Group's net asset value.

The Group seeks to achieve these aims through careful, disciplined selection of properties, including multi-let offices in London, shopping centres, industrial estates, regional offices and mixed-use portfolios. Helical's key aim, when undertaking this selection process, is to ensure that there is sustainable demand from potential occupiers for all of its assets. Helical aims to have a blend of central London properties, where yields are lower but the potential for capital growth higher and properties outside London where surplus cashflow is greater.

The Group frequently refurbishes and/or extends its properties to create value. Helical also works closely with tenants with the aim of maintaining maximum occupancy in its properties. The Company's relationship with tenants can lead to opportunities to increase value though re-gearing leases or moving tenants within a building as their respective businesses expand or contract.

The Group acquires properties where good management can enhance value rather than relying simply on market improvements.

**Development strategy**

The Group aims to limit the amount of equity that it deploys into development situations through a variety of different structures. The intention is to maximise the Group's share of profits in a development by leveraging the capital employed by the Group and with a view to managing the risks inherent in the development process. The Group employs a wide variety of approaches to development activities including:

- Participation in profit share situations where no equity investment is required, where Helical will seek to minimise its ongoing development fee to maximise its profit share so that its interests are completely aligned with its partners. In this way, for minimal equity commitments, the Company can benefit from a significant profit share if it contributes to a project's success by using its skills and experience through the entire development process. This participation method was used for the development at 200 Aldersgate, London EC1.
- Reduce up-front equity required by entering into conditional contracts or options. Helical uses this approach at Creechurch Place and for its foodstore led supermarket development programme, for example Shirley (where land is optioned or put under contract conditional on achieving planning permission and pre-let to a supermarket operator) thereby mitigating the risks of the developments.
- Co-investment alongside a larger partner where we have a minority equity stake, receiving a "waterfall" payment whereby we obtain a greater profit share than our percentage investment depending upon the profitability of the project. This strategy is used for the developments at Barts Square, The Bower, Creechurch Place and White City.
- Traditional forward funding, where the cost of the development overrun is borne by the developer for a commensurate profit participation. In such a case, the developer will have no equity invested but will underwrite a maximum build cost which bears the risk of costs being in excess of an agreed maximum construction price.

INVESTMENT

# CLIFTON STREET
LONDON EC2

**43,000** SQ FT

OFFICE BUILDING CURRENTLY UNDER CONSTRUCTION. HELICAL HAS COMMITTED TO ACQUIRE THIS ASSET UPON ITS COMPLETION, EXPECTED IN SUMMER 2015

# KEY PERFORMANCE INDICATORS

The Group measures its performance using a number of financial and non-financial key performance indicators (KPIs). Management is incentivised to outperform the Group's competitors by setting appropriate levels for performance indicators against which rewards are measured. The Company also designs its remuneration packages to align management's interests with shareholders' aspirations. Key to this is the monitoring and reporting against identifiable performance targets and benchmarks.

## INVESTMENT PROPERTY DATABANK

The Investment Property Databank ("IPD") produces a number of independent benchmarks of property returns which are regarded as the main industry indices.

IPD has compared the ungeared performance of Helical's total property portfolio against that of portfolios within IPD for the last 20 years. The Group's annual performance target is to exceed the top quartile of the IPD database. Helical's ungeared performance for the year to 31 March 2014 was 23.8% (2013: 8.6%) compared to the IPD median benchmark of 13.4% (2013: 3.9%) and upper quartile benchmark of 15.4% (2013: 4.7%).

Helical Bar portfolio unleveraged returns to 31 March 2014 are as follows:

| | 1 yr<br>% p.a. | 3 yrs<br>% p.a. | 5 yrs<br>% p.a. | 10 yrs<br>% p.a. | 20 yrs<br>% p.a. |
|---|---|---|---|---|---|
| Helical | 23.8 | 12.4 | 9.6 | 11.6 | 14.5 |
| IPD | 13.4 | 7.8 | 10.4 | 6.2 | 8.4 |
| Helical's Percentile Rank | 4 | 4 | 59 | 2 | 1 |

Source: Investment Property Databank.

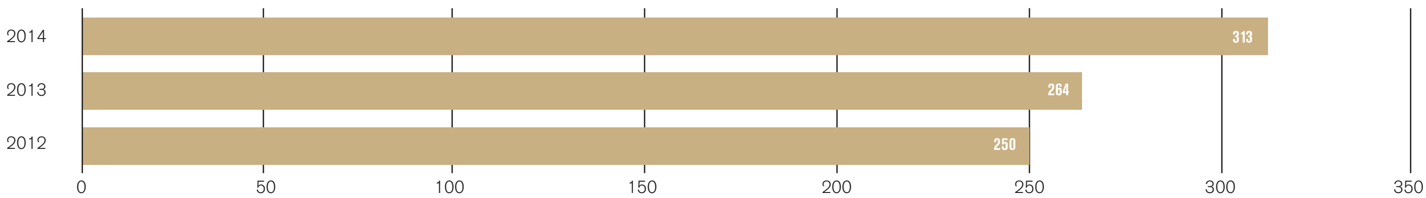
Helical's trading & development portfolio (22% of gross assets) is shown in IPD at the lower of book cost or fair value and uplifts are only included on the sale of an asset.

## EPRA NET ASSET VALUE PER SHARE (PENCE)

A property company's share price should reflect growth in net assets per share. The Group's main objective is to maximise growth in assets from increases in investment portfolio values and from retained earnings from other property related activities.
Net asset value per share represents the share of net assets attributable to each ordinary share. Whilst the basic and diluted net asset per share calculations provide a guide to performance, the property industry prefers to use an EPRA adjusted diluted net asset per share. The adjustments necessary to arrive at this figure are shown in note 33 to these accounts.

Management is incentivised to exceed 15% p.a. growth in net asset value per share. The diluted net asset value per share, excluding trading stock surplus, at 31 March 2014 increased by 33% to 288p (2013: 217p).

Including the surplus on valuation of trading and development stock, the diluted EPRA net asset value per share at 31 March 2014 increased by 18.6% to 313p (2013: 264p). Diluted EPRA triple net asset value per share increased by 20.1% to 311p (2013: 259p).




## TOTAL SHAREHOLDER RETURN

Total shareholder return is a measure of the return on investment for shareholders. The table below demonstrates this return compared to various indices.

| | | Performance measured over | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1 year<br>p.a.<br>% | 3 years<br>p.a.<br>% | 5 years<br>p.a.<br>% | 10 years<br>p.a.<br>% | 15 years<br>p.a.<br>% | 20 years<br>p.a.<br>% | 25 years<br>p.a.<br>% |
| Helical Bar plc | 1 | 61.1 | 14.0 | 7.5 | 9.8 | 12.2 | 13.0 | 12.0 |
| UK Equity Market | 2 | 8.8 | 8.8 | 16.4 | 8.6 | 4.7 | 7.7 | 8.8 |
| Listed Real Estate Sector Index | 3 | 27.4 | 14.4 | 21.5 | 4.8 | 6.3 | 6.7 | 5.2 |
| Direct Property - monthly data | 4 | 14.0 | 7.6 | 9.9 | 5.8 | 7.5 | 8.1 | 7.5 |

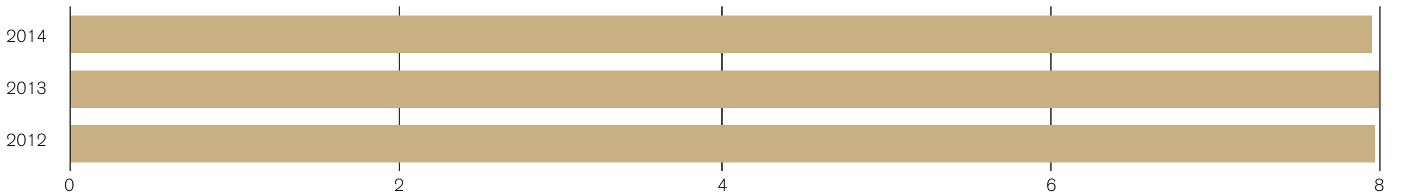
1 Growth to 31/03/14
2 Growth in FTSE All-Share Return Index to 31/03/14
3 Growth in FTSE 350 Real Estate Super Sector Return Index over 1 year, 3 years, 5 years and 10 years to 31/03/14
For data prior to 30 September 1999 FTSE All Share Real Estate Sector Index has been used
4 Growth in Total Return of IPD UK Monthly Index (All Property) to 31/03/14

## INVESTMENT/DEVELOPMENT PROPERTY RATIO

Helical's strategy is to hold approximately 75% of its real estate assets as investment property and 25% as development property. Helical believes that at this point in the property cycle, this ratio provides us with sufficient investment return to provide a steady income stream for our investors but allows us to make 'super-profits' on our development schemes.

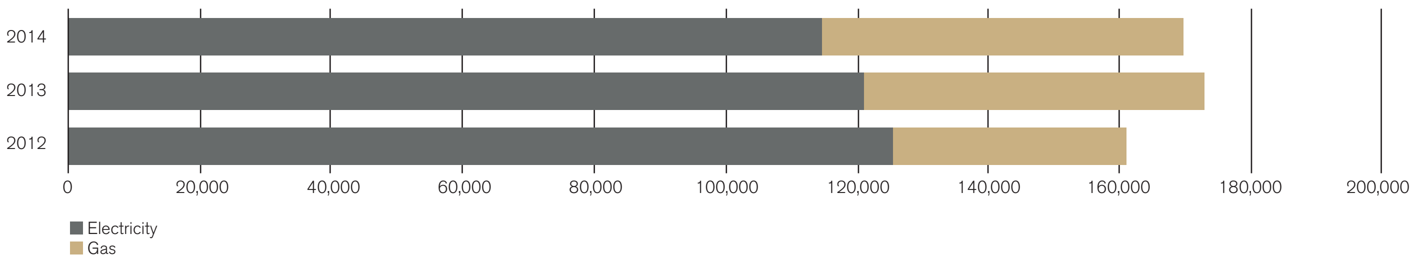

## AVERAGE LENGTH OF EMPLOYEE SERVICE (YEARS)

High levels of staff retention remain a key feature of Helical's business. The Group retains a highly skilled and experienced team. Below is the average length of service of the Group's UK employees:




## ENERGY USAGE AT OUR HEAD OFFICE (KWH)

The Group's high-level corporate commitments to environmental issues are outlined in the Group's Environmental Policy which can be found on Helical's website. Despite increases in our team the total energy usage at our head office has remained constant.



# INVESTMENT PORTFOLIO OVERVIEW

**The Group's c.£600m investment portfolio provides income to cover all operational and finance costs and dividends. The Group has a strong focus on asset management, maximising net operating income and working closely with its tenants.**

**Helical's goal (over recent years) has been to have 75% of its portfolio in investment properties and 25% in development properties, blending stable recurring income with exposure to potentially superior profitability in developments. The Group now has 75% of its assets in investment properties and, having realised its stated goal, will look to retain this balance going forward.**

**Helical's income stream is diverse and secure with no tenant accounting for more than 5.4% of the rent roll. The Group's average weighted unexpired lease term is 7.2 years (2013: 6.4 years).**

**The income stream has grown steadily since 2010 and is highly reversionary. The passing rent from the investment portfolio is £37.7m (2013: £28.7m) and the estimated rental value of the portfolio is £45.6m (2013: £32.4m) (Helical's share). This reversionary income will be captured through letting vacant units and rent reviews.**

**Through judicious buying of under-rented buildings in growth areas, securing lettings and undertaking refurbishments, Helical aims to generate substantial capital growth in our property values.**

## ASSET MANAGEMENT

During the year contracted income increased by £0.37m as a result of new lettings and rent reviews, net of any losses from breaks and expiries (2013: £0.38m).

There was significant activity within the investment portfolio with a lease event on nearly 200 leases.

The Group concluded £2.0m of new lettings and renewals (6.0% rent roll) and benefitted from uplifts at rent reviews of £0.12m, offsetting the loss of rent at lease end or break (3.7% rent roll) and a further £0.35m through tenant administrations (0.9% rent roll).

| | |
|---|---|
| Rent lost at break/expiry | (£1.4m) |
| Rent lost to administrations | (£0.35m) |
| Rent reviews | £0.12m |
| Lease renewals and new lettings | £2.0m |
| **Total change** | **£0.37m** |

Overall the Group has seen good letting demand across the portfolio, reducing the vacancy rate from 5.7% (31 March 2013) to 4.6% (31 March 2014). The Group has seen strong take up and rental growth in its London office portfolio with estimated rental values increasing by 7.3% in the year for the London portfolio (excluding Barts Square and The Bower at Old Street which will be redeveloped).

## SALES AND ACQUISITIONS

There has been significant sales and purchase activity reflective of an increasingly buoyant property market. Since 31 March 2013 the Group has sold £156.7m (2013: £50.8m) (Helical's share) of property. Significant sales include Battersea Studios for £35.0m, TK Maxx in Cardiff for £14.8m and Asda in Clydebank for £12.1m (Helical's share £7.3m), as well as our successes at 200 Aldersgate and White City.

Helical completed £11.7m of sales of units from our retirement village portfolio (2013: £10.6m).

The Group has been extremely active acquiring properties over the year, made possible through profits realised from 200 Aldersgate and White City and with funds raised from the retail bond. Reflecting the strategy of acquiring higher yielding assets outside London for cashflow and lower yielding assets in London for capital growth, significant acquisitions included Enterprise House, Paddington for £30.75m; New Loom House, Whitechapel for £34.2m; Maple House, City Road for £17.55m; Artillery Lane, City of London for £6.8m; Huddersfield Retail Park for £17.0m; Churchgate and Lee House, Manchester for £34.0m and a mixed use office, industrial and retail portfolio known as the Quartz portfolio for £48.6m.

Total acquisitions for the year were £199.9m, (2013: £60.8m).

## FUTURE INVESTMENT ACQUISITIONS

The market is increasingly competitive both in and outside London although the Group continues to find good value in its core markets as demonstrated by purchases in Manchester (for £34m) and, post year end, the Constellation portfolio, comprising 10 industrial and office properties for £40m.

DEVELOPMENT

## MAPLE HOUSE
37-45 CITY ROAD, EC1

**62,000** SQ FT

OFFICE SCHEME WITH COMPLETION DUE SUMMER 2015

# INVESTMENT PORTFOLIO STATISTICS

The following refers to Helical's share of the investment portfolio.

## PORTFOLIO YIELDS

| | Initial yield % | Reversionary % | Yield on letting voids % | Equivalent yield (AiA) % |
|---|---|---|---|---|
| Industrial | 8.7 | 10.8 | 9.2 | 9.0 |
| London offices | 4.2 | 6.7 | 6.0 | 6.1 |
| Regional offices | 7.5 | 8.6 | 8.2 | 8.1 |
| Retail | 7.2 | 7.9 | 7.6 | 7.5 |
| **Total** | **6.2** | **7.5** | **7.1** | **7.1** |

## VALUATION MOVEMENTS, PORTFOLIO WEIGHTING AND CHANGES TO RENTAL VALUES

| | Weighting % | Valuation increase % | ERV change since Mar 2013 % |
|---|---|---|---|
| Industrial | 1.8 | 5.3 | - |
| London offices | 44.2 | 18.6 | 7.3 |
| Regional offices | 11.8 | 1.2 | - |
| Retail | 40.9 | 0.4 | -0.5 |
| Other | 1.3 | 21.9 | - |
| **Total** | **100.0** | **8.1** | **2.1** |

Note: includes sales, purchases and capex.

## CAPITAL VALUES, VACANCY RATES AND UNEXPIRED LEASE TERMS

| | Capital value psf £ | Vacancy rate by area % | Average unexpired lease term (years) |
|---|---|---|---|
| Industrial | 51 | 1.0 | 10.2 |
| London offices | 332 | 0.6 | 6.1 |
| Regional offices | 146 | 17.8 | 7.4 |
| Retail | 129 | 3.5 | 7.6 |
| **Total** | **185** | **4.6** | **7.2** |

Note: Vacancy excludes properties held vacant for redevelopment (e.g. Maple House).

## LEASE EXPIRIES OR TENANT BREAK OPTIONS

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| % of rent roll | 9.9 | 9.6 | 13.9 | 11.8 | 9.8 |
| Number of leases | 117 | 91 | 101 | 71 | 79 |
| Average rate per lease (£) | 32,600 | 40,400 | 52,800 | 63,900 | 47,500 |

We have a strong rental income stream and a diverse tenant base, with no single tenant accounting for more than 5.4% of the rent roll. The top 10 tenants account for 25.2% of the total rent roll and the tenants come from diverse industries.

| Rank | **Tenant** | Tenant industry | Rent roll % |
|---|---|---|---|
| 1 | Network Rail | Infrastructure | 5.4 |
| 2 | Endemol | Media | 4.1 |
| 3 | Barts and the London NHS Trust | Government | 3.2 |
| 4 | Nicholl Food Packaging | Manufacturing | 2.0 |
| 5 | Capita | Professional Services | 2.0 |
| 6 | Curzon Estates | Manufacturing | 2.0 |
| 7 | Economic Solutions | Government | 1.8 |
| 8 | Thames Water | Infrastructure | 1.6 |
| 9 | Homebase | Retail | 1.6 |
| 10 | Somerfield | Retail | 1.5 |
| **Total** | | | **25.2** |

The total rent roll has increased from £30.6m in March 2013 to £37.3m in March 2014.

# PRINCIPAL INVESTMENT PROPERTIES

## CENTRAL LONDON OFFICES

### SHEPHERDS BUILDING

SHEPHERDS BUSH, W14

This 151,000 sq ft multi-let office building close to Westfield shopping centre maintains an occupancy approaching 100%, as it has for seven consecutive years. The refurbishment of the common parts including new receptions and café/bar is almost complete, enhancing tenant amenities. Significant rental growth is beginning to be seen with ERV now between £35.00 psf and £37.50 psf compared to a current average rent of £25.00 psf.

### ENTERPRISE HOUSE

PADDINGTON W2

This freehold property adjacent to Paddington Rail Station was acquired on a sale and lease back agreement from Network Rail, which holds a 20 year lease without breaks.

### THE BOWER, 207 OLD STREET

LONDON EC1

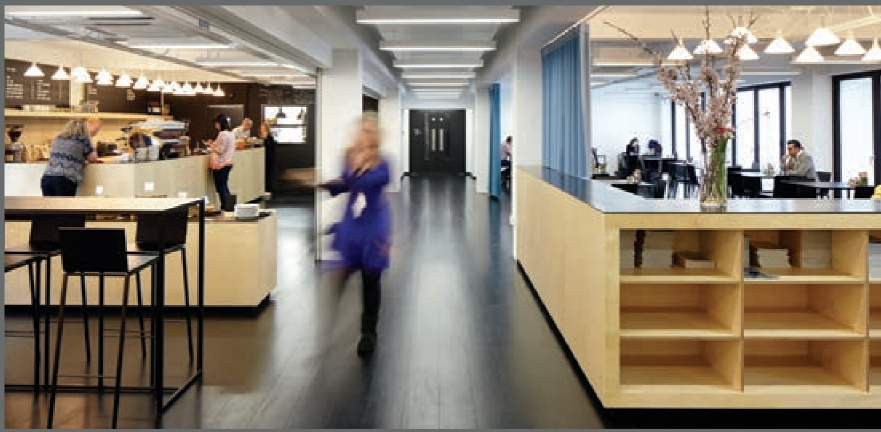
This 3.12 acre asset was acquired in November 2012 for £60.8m in joint venture with Crosstree Real Estate Partners LLP (Helical interest 33.3%). The site is in the heart of the Shoreditch Tech Belt, an area of London which is a hub for technology, media and telecommunications companies and which is benefitting from substantial investment in infrastructure.

Since acquisition, planning consent has been obtained to increase the floor space on the site by 106,000 sq ft, to refurbish existing areas and significantly upgrade the public realm with the creation of a new pedestrian street.

Building work started on Phase 1 in January 2014 comprising The Warehouse, 127,746 sq ft and The Studio 22,346 sq ft, and is due for completion in April 2015. During this process rental income is still being received on the retail parade and the office building at 207 Old Street. The basement area under the retail parade has been let to Gym Box at a rent of £150,000 pa, who will be carrying out their own fit out work.

Phase 2, comprising The Tower, 171,900 sq ft, is due to commence Q2 next year.

Empire House has been pre let to Z Hotels at a rent of £650,000 p.a. and they are carrying out their own refurbishment and fit out works due for completion in April 2015. The remaining ground floor space in this building is under offer to a restaurant.



1 Shepherds Building
2 Barts Square
3 Enterprise House
4 New Loom House
5 Clifton Street

## BARTS SQUARE

LONDON EC1

In joint venture with The Baupost Group LLC (Baupost 66.7%, Helical 33.3%) Helical owns the freehold interest in land and buildings at Bartholomew Close, Little Britain and Montague Street, a 3.2 acre site adjacent to the new Barts Hospital and just south of Smithfield Market. The current buildings comprise 420,000 sq ft let to the NHS for circa £3.5m per annum on a number of short term leases that expire between 2014 and 2016.

Planning consent has been obtained for a comprehensive redevelopment of 19 buildings to provide a total of 215 residential apartments, two office buildings of 202,000 sq ft and 23,500 sq ft, 21,800 sq ft of retail /A3 at ground floor as well as major public realm improvements, which will be incorporated into the wider Smithfield Area Strategy being worked up by the City.

Phase 1, comprising 94 residential units, is due to commence in January 2015.

## NEW LOOM HOUSE

WHITECHAPEL E1

This 112,000 sq ft listed building was acquired during the year. Plans are being developed for a refurbishment of the reception and common parts, including the provision of a café/bar.

Strong rental growth is already being achieved from a starting point of average rents at £16 psf. Further increases in rents are anticipated, as the opening of Crossrail approaches.

## CLIFTON STREET

SHOREDITCH EC2

The Group has exchanged contracts to acquire this 43,000 sq ft office building upon completion of its construction anticipated for summer 2015. The building is located in the heart of Shoreditch which is experiencing strong occupier demand from technology and media tenants.

## MAPLE HOUSE

37-45 CITY ROAD EC1

Maple House is an existing 50,000 sq ft office building in London acquired in June 2013. Planning permission was obtained during the year for a complete refurbishment of the building, which will comprise a new additional floor and extensions to the third floor, landscaped courtyard and entrance pavilion to the rear and changes to the façade to improve light to the lower floors. Works have commenced and are due to complete by Q2 2015.

# RETAIL

**Our strategy is to acquire multi-tenanted properties where there is significant opportunity to increase net operating income and capital values. We acquire properties with rents which are low compared to equivalent buildings, providing scope for rental growth. We spend a considerable amount of time talking to our tenants both prior to acquiring properties and during the course of our ownership to ensure that the space they occupy continues to be fit for purpose.**

## CORBY TOWN CENTRE

CORBY

This asset, compromising nearly 40 acres, is virtually the entirety of the commercial centre of Corby. It was acquired in 2011. Anchor tenants include Primark, TK Maxx, H&M, Argos and Wilkinsons.

A number of projects are underway including extending units, conversion of vacant offices to residential and a new gym.

## THE MORGAN QUARTER

CARDIFF

Acquired empty in 2005 this asset was comprehensively refurbished and let to retailers including Urban Outfitters, TK Maxx and Molton Brown.

Since the opening of St David's 2 in 2009, The Hayes has become one of Cardiff's principal retailing pitches.

During the year the Group sold the TK Maxx unit which formed part of the estate for £14.8m, a 5.75% net initial yield. Helical concluded a number of rent reviews on The Hayes with positive outcomes and let a number of units in the Arcades. Phase 1 of the conversion of the vacant upper parts of the centre to offices is complete and fully let and phase 2 is well underway further enhancing net operating income.

## CLYDE SHOPPING CENTRE

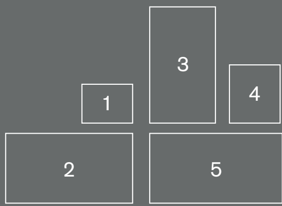
CLYDEBANK

This asset, which comprises the majority of the town's retail offer, was acquired in 2010 in joint venture with a private investor. The Group has a 60 percent economic interest in the centre and undertakes all of the asset management activities.

During the year we sold the Asda unit for £12.1m, representing a 5.15% net initial yield. Work is close to completion on an extension for Pure Gym which will add to the leisure offer in the town.

## HUDDERSFIELD RETAIL PARK

This fully let retail park was acquired during the year. Tenants include Aldi, Matalan and Dunelm.




1 Huddersfield Retail Park
2 Corby Town Centre
3 The Hayes, Cardiff
4&5 Clyde Shopping Centre

# CENTRAL LONDON

### 200 ALDERSGATE

EC1

Helical was appointed asset and development manager by Deutsche Pfandbriefbank in May 2010. The brief was to refurbish and let this office building, vacant since 2005 when the previous tenant, Clifford Chance, relocated to Canary Wharf. The reception areas and common parts were redesigned and the atrium re-clad, creating a "vertical village" for office users comprising a variety of floor-plates to suit a range of different occupiers, as well as exceptional tenant facilities, including a concierge, cycle store and changing facility service, an on-site gym and a café and business lounge. Refurbishment works were completed in January 2011 when the building was re-launched. The building comprises 348,000 sq ft of offices, 19,810 sq ft of retail and 39,317 sq ft of basement leisure space. By June 2013 we had let 338,000 sq ft of office space, 9,000 sq ft of retail and the whole of the basement space to Virgin Active, and the building was sold to clients of Ashby Capital in September 2013. This sale triggered the development management profit share.

### CREECHURCH PLACE (FORMERLY MITRE SQUARE)

EC3

Creechurch Place, London EC3 (formerly Mitre Square) is a landmark City office scheme in the heart of the insurance sector in London. During the year the Group completed the purchase of 1 Mitre Square and extended the conditional purchase agreement with the City for the adjoining site. Demolition has been completed to facilitate the construction of a new building comprising 271,000 sq ft NIA of offices and 2,000 sq ft of retail. In May 2014, the Group signed a joint venture agreement with HOOPP (Healthcare of Ontario Pension Plan) to redevelop the site. Under the terms of the joint venture, HOOPP and Helical will jointly fund the project on a 90:10 split, with Helical acting as development manager, for which it will receive a promote payment depending on the successful outcome of the scheme. It is anticipated the completed development will have a capital value of circa £250m.

1 Creechurch Place
2 Hammersmith Town Hall
3 200 Aldersgate

1 2 3

# WEST LONDON

### KING STREET

HAMMERSMITH, W6

King Street, Hammersmith is a mixed use scheme, in joint venture with Grainger plc, for the regeneration of the west end of King Street. Following submission of revised plans the Group obtained a resolution to grant planning in November 2013 following which planning permission was granted when the section 106 Agreement was signed in April 2014. The redevelopment will provide 196 high quality new homes; a three screen cinema to be operated by Curzon new retail, restaurant and café space; replacement offices for the Council and a new public square.

### BRICKFIELDS

WHITE CITY, W12

In joint venture with Aviva, the Group obtained a resolution to grant planning permission for a residential-led mixed use scheme on a 10 acre site immediately adjacent to White City underground station. The Eric Parry designed master plan comprises c. 1.25 million sq ft of residential, 210,000 sq ft of commercial and 60,000 sq ft of retail, leisure and community uses. In May 2013, contracts were exchanged for the sale of the site and completion of the sale took place in September 2013, triggering Helical's profit share.

# OUT OF LONDON OFFICES

## ST VINCENT STREET
GLASGOW

In partnership with local development partner, Dawn Developments Ltd, Helical is the development manager for the construction of the new headquarters of Scottish Power at St Vincent Street, Glasgow. The completed building will comprise circa 220,000 sq ft of prime office space in the heart of the City's commercial district. Funded by M&G Investments, the scheme is under construction and is due to be completed in July 2015. Scottish Power may also look to involve Helical in delivering the fit out of their office spaces. As part of the overall deal, Helical are taking on three existing Scottish Power sites which are surplus to requirements.

# RETAIL

## PARKGATE
SHIRLEY, WEST MIDLANDS

The Shopping Centre at Parkgate, Shirley, where Helical has a 50% interest has completed on site and the 80,000sq ft Asda together with a number of other retailers have opened successfully for trade. The space beyond the food-store is 66% pre-let to occupiers such as Peacocks, 99P Stores, Pizza Express, Wetherspoons, Prezzo and Shirley Library. Two residential sites have been sold off to provide 97 private and extra-care units and six apartments and eight townhouses are being built out directly with a final phase to follow later in the year.

A second phase residential scheme is being put together on a site of 10 acres opposite the Parkgate scheme and a Planning Application is likely to be submitted later this year.

## LEISURE PLAZA
MILTON KEYNES

Leisure Plaza is a 50:50 joint venture with Abbeygate Developments. The site has consent for an 80,000 sq ft supermarket, 33,000 sq ft of Open A1 retail and the refurbishment of the existing ice rink. The supermarket has been pre-let to Morrisons on a long lease and pre-sold to Aviva Investors' Lime Property Fund for circa £40m, a headline yield of 4.25%. The joint venture has realised a profit of circa £1.6m on the sale of the land to the fund and should make a further profit over the course of the development, which is due to complete in Q4 2014. The Group has recognised £2.0m of development profit (Helical's share) during the year.

## TRURO
In Truro the Group has entered into a Conditional Purchase Agreement on the six acre Truro City Football Club site and a Planning Application is being worked up for a 78,000 sq ft non-food retail park. There are a healthy number of requirements from retailers not currently represented in Truro. The scheme proposals will provide for the relocation of the football club.

## CORTONWOOD
Planning consent has been secured at Appeal and marketing is in hand for an 80,000 sq ft Open A1 non-food retail park. A start on site is anticipated in the first half of 2015. Strong interest has been received from high quality retailers.

## KINGSWINFORD
A conditional contract has been secured on a site owned by Ibstock and a Planning Application for a 60,000 sq ft non food scheme is to be submitted in the Autumn. The development will provide the function of a district centre to the large number of new homes being built in the locality.




## PARK HANDLOWY MLYN

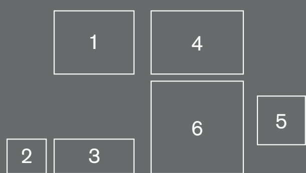
WROCLAW

Wroclaw is a large city in West Poland, some 100km from the German border and 470km south of Warsaw. This 9,600 sq m (103,000 sq ft) out of town retail development was completed in December 2008 and is fully let to a number of domestic and international retailers including Sports Direct, T K Maxx, Media Expert, Makro, Deichmann, Smyk, Komfort and others.

## EUROPA CENTRALNA

GLIWICE

This retail park and shopping centre was built in 50:50 joint venture with clients of Standard Life. The scheme is situated to the south of Gliwice at the intersection of the A4 and A1 motorways. This highly visible scheme has good accessibility and is becoming a major regional shopping destination. It comprises approximately 66,000 sq m (720,000 sq ft) of retail space, incorporating three distinct parts, being a foodstore, DIY and household goods and fashion. The scheme is now over 85% let to Tesco, Castorama, H & M, Media Saturn, Sports Direct, Jula and others. Construction completed in February 2013 and the scheme opened on 1 March 2013. The sale of 50% in 2011 includes a provision that we will sell the remaining ownership stake two years after the date of completion of the development to the same clients of Standard Life, which is expected to complete by March 2015.




1 St Vincent Street
2 Parkgate, Shirley
3 Leisure Plaza
4 Park Handlowy Mlyn
5&6 Europa Centralina

# RETIREMENT VILLAGES

**A retirement village is a private residential community in which active over-55s are able to live independently in retirement. Residents have typically down-sized from a larger family home into a cottage or apartment which provides no maintenance or security issues.**

**With access to a central clubhouse containing a bar and restaurant facilities, health and fitness rooms and surrounded by maintained grounds, this retirement option is proving increasingly popular.**

## BRAMSHOTT PLACE

LIPHOOK, HAMPSHIRE

The original Bramshott Place Village was an Elizabethan mansion built in 1580, although now only the original Grade II listed Tudor Gatehouse remains, which we have fully restored. The land and buildings were derelict when Helical acquired them in 2001. Changing planning from its previously designated employment use to a retirement village took several years but was eventually achieved in 2006.

The development of 151 cottages and apartments, and the new clubhouse, has completed. To date, the Group has sold 138 units, with reservations on a further five units, with just nine units, mainly apartments, left to sell.

## DURRANTS VILLAGE

FAYGATE, HORSHAM, WEST SUSSEX

Durrants Village, a 30 acre site, had operated as a sawmill with outside storage for many years. The Group was granted planning permission, at appeal, in May 2009 where the Inspector allowed a development comprising a retirement village of 148 units, eight affordable housing units, a 50 bed residential care home and a central facilities clubhouse building. Following changes to the scheme the development will be for 171 units. The first phase (48 units) started in May 2012 for the construction of the retirement village and clubhouse and the Group has sold nine units, exchanged on one further sale and has reservations on 12 units with up-field reservations on a further 12 units in future phases.

1 2 3 4

1&2 Durrants Village
3 Maudslay Park
4 Millbrook Village

## MAUDSLAY PARK,

GREAT ALNE, WARWICKSHIRE

This is a Green Belt site which has 320,000 sq ft of built footprint and benefits from Major Development Site planning policy. Covering 82 acres this site received outline planning permission in April 2011 for a retirement village of 132 units plus 47 extra care units. Demolition and enabling works have completed and construction started in April 2014. The Group has reservations on five units.

## MILLBROOK VILLAGE,

EXETER

This 19 acre site was acquired in 2007 from the St Loye's Foundation, a long established rehabilitation college in the city of Exeter. Resolution to grant planning permission was obtained in October 2009 for a retirement village of 206 units, a 50 bed residential care home, an affordable extra-care block of 50 units and a central facilities clubhouse building. Demolition, site clearance and archaeological survey work have been completed. In 2011 we received planning consent for 63 open market housing units on part of the site and sold this part in summer 2012. Construction of a 164 unit retirement village and clubhouse in phases on the remainder of the site commenced in October 2013 and the Group has reservations on 17 units.

## REVIEW OF THE YEAR

These outstanding results, created by a combination of significant development profits, growing rental surpluses and revaluation gains on the investment portfolio, are reflected in shareholders' funds which increased by 34% in the year to 31 March 2014. This growth in the Group's balance sheet has enabled it to continue its rebalancing of the Group's property portfolio towards its intended 75:25 target balance between an income producing portfolio and non-income producing development stock. The Group's portfolio, including its share of property held in joint ventures, increased to £802m (2013: £626m), largely the result of investment property acquisitions during the year. This expansion of the Group's activities has been undertaken without increasing its loan to value, which remained at 46% (2013: 46%) and with a reduction in gearing to 109% (2013: 113%).

During the year the Group continued to lengthen and diversify its borrowings profile. New secured borrowings included a £75m revolving credit facility and a £100m investment facility, and these were supplemented by the issue of an unsecured retail bond, raising a further £80m. With the repayment of short term debt, these new sources of funding enabled the Group to extend its overall debt maturity profile to 3.9 years (2013: 2.6 years), albeit with an increased weighted average cost of debt of 4.5% (2013: 3.9%).

At 31 March 2014, the Group had unutilised bank facilities of c. £106m and c. £80m of cash. These facilities are available to fund the Group's retirement village programme, refurbishment works at Maple House, City Road EC1 and The Bower, Old Street EC1.

## EPRA EARNINGS

Adjusted diluted EPRA Earnings per share, before performance related awards, increased by 478% to 47.4p per share (2013: 8.2p), reflecting increased development profits of £65.0m (2013: £7.0m) and the Group's share of net rental income of £29.8m (2013: £24.5m). After taking into account performance related bonuses and share awards of £17.9m (2013: £6.8m), EPRA Earnings per share was 32.5p (2013: 2.4p).

| EPRA Earnings | 31.03.13 £m | **31.03.14 £m** |
|---|---|---|
| Earnings as per note 14 | 5,867 | **87,603** |
| Add: performance related awards | 6,828 | **17,860** |
| Add: adjustments as per note 14 | (3,023) | **(48,669)** |
| Adjusted EPRA Earnings | 9,672 | **56,794** |
| Less: performance related awards | (6,828) | **(17,860)** |
| EPRA Earnings | 2,844 | **38,934** |
| Adjusted diluted EPRA Earnings per share | 8.2p | **47.4p** |
| Diluted EPRA Earnings per share | 2.4p | **32.5p** |

## EPRA NET ASSET VALUE

Diluted EPRA net asset value per share increased by 18.6% to 313p per share (2013: 264p). This rise was principally due to a total comprehensive income of £86.7m (2013: £4.3m), less the reduction in the surplus on valuation of the trading and development stock of £27.5m (2013: £49.9m).

| EPRA Net Asset Value | 31.03.13 £m | 31.03.13 per share p | **31.03.14 £m** | **31.03.14 per share p** |
|---|---|---|---|---|
| Diluted net asset value | 257,242 | 217 | **347,506** | **288** |
| EPRA Adjustments for: | | | | |
| Fair value of trading and development stock, including in joint ventures | 49,865 | | **27,479** | |
| Fair value of financial instruments | 6,048 | | **(243)** | |
| Deferred tax | 578 | | **2,444** | |
| Diluted EPRA net asset value | 313,733 | 264 | **377,186** | **313** |

## INCOME STATEMENT

The main focus of the year was on targeting and working towards the many development milestones that were set in 2012 and 2013 and which had a substantial impact on the income statement for the year under review. Apart from these milestones, we continued to dispose of investment properties which had reached their short to medium term potential. We added to our investment portfolio with the acquisition of c. £200m (£189m plus costs) of property compared to £72m of sales.

## RENTAL INCOME AND PROPERTY OVERHEADS

Gross rental income receivable by the Group in respect of wholly owned properties increased by 16.2% to £30.0m (2013: £25.8m), mainly reflecting the acquisitions made throughout the year. The Group's share of gross rents receivable in joint ventures increased by 6.5% to £6.6m (2013: £6.2m). The see-through gross rents totalled £36.6m, an increase of 14.3% on 2013. After taking account of head rents payable on those properties held on long leases, and the costs of managing the assets, void costs and the amortisation of annual letting costs, see-through net rents increased by 22.0% to £29.8m (2013: £24.5m). Bad debts from tenant administrations and failures fell to 0.4% of gross rents (2013: 2.4%).

## DEVELOPMENT PROGRAMME

Turning to the development programme, the letting and sale of 200 Aldersgate, London EC1 by Deutsche Pfandbriefbank and the sale of a 10 acre site at White City, London W12 by our joint venture partner Aviva, realised total development profits of £62.0m, of which £1.0m had been recognised last year. The retail schemes at Leisure Plaza, Milton Keynes and Shirley, West Midlands, contributed £2.2m of profit whilst our retirement village development programme contributed profits of £1.5m from continued sales at Bramshott Place, Liphook and from the first completions at Durrants Village, Faygate. Development management fees from our schemes at Glasgow, Barts Square and Riverbank House contributed a further £0.6m and improving land values allowed us to write back provisions of £0.5m. Set against these profits were the costs of our Polish operation of £0.6m, resulting in the Group's share of net development profits at £65.0m (2013: £7.0m).

## SHARE OF RESULTS OF JOINT VENTURES

As mentioned above, Helical has increasingly sought to acquire larger assets in joint ventures with property funds that provide the majority of the equity required to purchase the assets, whilst relying on the Group to provide the asset management or development expertise. These joint ventures include our share of the investment properties at Clyde Shopping Centre, Clydebank; Barts Square, London EC1 and The Bower 207 Old Street, London EC1, and our development schemes at Europa Centralna, Gliwice, Poland; Shirley Town Centre, West Midlands; Leisure Plaza, Milton Keynes and King Street, Hammersmith. Detailed analysis of the financial position of our share of these joint ventures is provided in note 19 to this report and the see-through analysis on page 108. In the year under review, net rents of £5.4m (2013: £4.9m) were received, offset by net finance costs of £2.5m (2013: £2.2m). A gain on revaluation of the investment portfolio of £15.7m (2013: £3.1m), primarily arose in respect of Barts Square and Old Street. Net of taxes, our joint ventures contributed £16.4m (2013: £3.9m).

## ADMINISTRATION COSTS

Administration costs, before performance related awards, increased by 9%, from £8.1m to £8.8m, mainly arising from costs incurred in connection with the proposed move of the Company's head office.

Performance related share awards and bonus payments increased to £15.7m (2013: £6.0m) for the year. Of this amount, the £6.3m (2013: £1.9m) charge for share awards under the Performance Share Plan is expensed through the Income Statement but added back to shareholders funds through the Statement of Changes in Equity. The £9.4m (2013: £4.1m) accrual for bonus payments comprises £5.1m (2013: £2.7m) which will be paid in June 2014, £2.9m (2013: £0.8m) which will be carried forward to next year in accordance with the terms of the Annual Bonus Scheme 2012 and £1.4m (2013: £0.6m) which will be paid in deferred shares to be held for a minimum of three years. In addition, National Insurance of £2.2m (2013: £0.8m) has been accrued for in the year.

| | 2013 £000 | **2014 £000** |
|---|---|---|
| Administration costs | 8,092 | **8,816** |
| Share awards | 1,864 | **6,333** |
| Directors and senior executives bonuses | 4,130 | **9,357** |
| NIC on share awards and bonuses | 834 | **2,170** |
| Total | 14,920 | **26,676** |

## FINANCE COSTS, FINANCE INCOME AND DERIVATIVE FINANCIAL INSTRUMENTS

Interest payable on bank loans including our share of loans on assets held in joint ventures but before capitalised interest increased to £17.3m (2013: £12.7m), reflecting the increased debt taken on to finance the expansion of the Group's investment activities. Capitalised interest increased from £2.5m to £2.8m as development schemes progressed. Other interest payable increased from £1.7m to £2.5m. As a consequence of these movements, total finance costs increased by £5.2m from £11.8m to £17.0m. Finance income earned on cash deposits of £1.8m (2013: £0.9m) was boosted by the £2.9m profit realised on the purchase of a loan at fair value.

Derivative financial instruments have been valued on a mark to market basis and a credit of £5.3m (2013: charge of £2.6m) has been recognised in the Income Statement.

## TAXATION

The deferred tax asset is principally derived from tax losses which the Group believe will be utilised against profits in the foreseeable future.

## INVESTMENT PORTFOLIO

The issue of the £80m Retail Bond and development receipts of £62m, together with sales of over £70m of investment assets, where our asset management initiatives were completed, provided funds, net of loan repayments, for £200m of acquisitions and value enhancing capital expenditure. The sales of the investment assets generated a profit of £8.6m (2013: loss of £2.4m).

The £200m of additions to the investment portfolio, net of the £48m book value of sales together with a transfer of £9m from trading stock and added to the revaluation surplus of £21m, increased the value of the wholly owned investment properties from £312m to £493m. In joint venture the revaluation surpluses at Clydebank, Barts Square and The Bower at Old Street of £15.7m increased our share of the investment portfolio held in joint ventures to £107.5m. Together, the Group's share of the total investment portfolio, on a see-through basis, increased from £407m to £601m.

## DEBT AND FINANCIAL RISK

In total, Helical's outstanding debt at 31 March 2014 of £454.4m had an average maturity of 3.9 years (2013: 2.6 years) and a weighted cost of 4.5% (2013: 3.9%).

## DEBT PROFILE AT 31 MARCH 2014 – EXCLUDING THE EFFECT OF ARRANGEMENT FEES

| | Total Facility £000's | Total Utilised £000's | 2015 £000's | 2016 £000's | 2017 £000's | 2018 £000's | 2019+ £000's |
|---|---|---|---|---|---|---|---|
| Investment facilities | 308,431 | 256,444 | 548 | 10,404 | 74,712 | 101,900 | 68,880 |
| Development and site holding facilities | 72,500 | 43,937 | - | 3,666 | 28,752 | - | 11,519 |
| Retail Bond | 80,000 | 80,000 | - | - | - | - | 80,000 |
| Short term working capital facilities | 10,728 | 727 | 727 | - | - | - | - |
| | 471,659 | 381,108 | 1,275 | 14,070 | 103,464 | 101,900 | 160,399 |
| Joint venture bank facilities | 89,528 | 73,282 | 12,453 | 18,000 | - | 42,829 | - |
| Total see-through debt | 561,187 | 454,390 | 13,728 | 32,070 | 103,464 | 144,729 | 160,399 |

The Group arranges its bank borrowings to suit its investment and development intentions as follows:

## INVESTMENT FACILITIES

These are typically for four to five years, financing the Group's investment portfolio and a fully let retail development at Wroclaw in Poland with loan to value and income covenants. The value of the Group's properties secured on these facilities at 31 March 2014 was £486,280,000 (2013: £319,035,000) with a corresponding loan to value of 53% (2013: 63%). The average maturity of the Group's investment facilities at 31 March 2014 was 3.7 years (2013: 3.6 years).

## DEVELOPMENT AND SITE HOLDING FACILITIES

These facilities finance the construction of the retirement villages at Durrants Village, Horsham, Maudsley Park, Great Alne and Millbrook Village, Exeter. They also include site holding facilities at Telford and fund the holding of the completed developments at Hedge End, Southampton and Ropemaker Park, Hailsham. The average maturity of the Group's development and site holding facilities at 31 March 2014 was 3.0 years (2013: 1.9 years).

## RETAIL BOND

In June 2013, the Group raised £80m from the issue of an unsecured Retail Bond with a 6.00% coupon. This bond is repayable in June 2020. Initially, the net proceeds were used to repay secured bank borrowings which were subsequently re-drawn, under the terms of our revolving credit facilities, to fund additions to our investment portfolio. The Retail Bond is included within borrowings repayable within six to seven years in note 25 to the financial statements.

## SHORT TERM WORKING CAPITAL FACILITIES

These facilities provide working capital for the Group.

## JOINT VENTURE BANK FACILITIES

As noted above we hold a number of investment and development properties in joint venture with third parties and include in the above table our share, in proportion to our economic interest, of the debt associated with each asset. Of the amount due to be repaid in the year to 31 March 2015, £11.7m is in respect of the investment holding facility for Barts Square, and timed for a potential redevelopment of the site in 2015. In April 2015, our investment facility on the Clyde Shopping Centre, Clydebank, is repayable. During the year we agreed a new three year facility to January 2017 providing finance for the first phase of the redevelopment of The Bower. We also converted our development facility at Europa Centralna, Gliwice, into an investment facility, repayable in September 2017. The average maturity of the Group's share of bank facilities in joint ventures at 31 March 2014 was 2.5 years (2013: 2.4 years).

## CASH AND CASH FLOW

At 31 March 2014, the Group had over £186m (2013: £80m) of cash and agreed, undrawn, committed bank facilities including its share in joint ventures as well as £82m (2013: £27m) of uncharged property on which it could borrow funds.

## NET BORROWINGS AND GEARING

Net borrowings held by the Group have increased during the year from £222.9m to £312.8m. Including the Group's share of net debt of its joint ventures the Group's share of total net debt has increased from £286.3m to £369.6m.

| Net borrowings and gearing | 2012 | 2013 | 2014 |
|---|---|---|---|
| Net borrowings – Group | £227.8m | £222.9m | **£312.8m** |
| Net borrowings – Including joint ventures | £280.0m | £286.3m | **£369.6m** |
| Net assets | £253.7m | £253.8m | **£340.5m** |
| Gearing – Group | 90% | 88% | **92%** |
| Gearing – Including joint ventures | 110% | 113% | **109%** |

## HEDGING

At 31 March 2014 the Group had £291.5m (2013: £135.6m) of fixed rate debt with an average effective interest rate of 4.77% (2013: 4.34%) and £84.6m (2013: £124.1m) of floating rate debt with an average effective interest rate of 3.48% (2013: 3.31%). In addition, the Group had £132.0m of interest rate caps at an average of 4.0% (2013: £82m at 4.00%). In the joint ventures, the Group's share of fixed rate debt was £29.6m (2013: £27.5m) with an average effective interest rate of 6.03% (2013: 5.12%), and £43.6m (2013: £45.8m) of floating rate debt with an effective rate of 3.33% (2013: 3.76%). In addition, the joint ventures benefited from £49.0m (2013: £51.5m) of interest rate caps at an average of 5.01% (2013: 5.00%).

## INTEREST COVER

In assessing the results of the Group for each financial year, Helical considers its interest cover as a measure of its performance and its ability to finance its annual interest payments from its net operating income, before revaluation gains or losses on the investment portfolio and net realisable provisions on the trading and development stock. In the year to 31 March 2014, this interest cover was 8.3 times (2013: 2.7 times).

| | 2013<br>£000 | 2014<br>£000 |
|---|---|---|
| Net operating income | 29,686 | **103,174** |
| See-through net finance costs | 10,893 | **12,366** |
| Interest cover | 2.7x | **8.3x** |

**Tim Murphy**
Finance Director

19 June 2014

# PRINCIPAL RISKS REPORT

Risk is an integral part of any Group's business activities and Helical's ability to identify, assess, monitor and manage each risk to which it is exposed is fundamental to its financial stability, current and future financial performance and reputation. As well as seeing changes in our internal and external environment as potential risks, we also see them as being opportunities which can drive performance.

Risk management starts at Board level where the Directors set the overall risk appetite of the Group and the risk management strategies. Helical's management runs the business within these guidelines and part of its role is to act within these strategies and to report to the Board on how they are being operated.

The Group's risk appetite and risk management strategies are continually assessed by the Board to ensure that they are appropriate and consistent with the Group's overall strategy and with external market conditions. The effectiveness of the Group's risk management strategy is reviewed every six months by the Audit Committee and by the full Board.

The risks faced by the Group do not change significantly from year to year but their importance and the Group's response to them vary in accordance with changes in the internal and external environment. The Board considers not only the current situation but also potential future scenarios and how these might impact our business.

The Board has ultimate responsibility for risk within the business. However the small size of our team and our flat management structure allows the executive directors to have close contact with all aspects of the business and allows us to ensure that the identification and management of risks and opportunities is part of the mindset of all decision makers at Helical.

The principal risks faced by the Group, and the steps taken by the Group to mitigate these risks, are as follows:

## MARKET RISK

**Market risks are risks specific to the economy as a whole and to the property sector.**

| Risk description | Mitigation/action |
|---|---|
| Property values decline:<br>Current uncertainties in the world economy mean that future performance is difficult to predict | Helical management reviews external data<br>Helical has been active in disposing of non-performing assets and rebalancing its portfolio for the changing market<br>Helical keeps a diversified portfolio to prevent being over-exposed to one sector |
| Reduced tenant demand for space | Our focus is on buying well let properties in good locations<br>We continue to ensure that vacant space is kept to a minimum |
| Appropriate timing of investment and divestment decisions | Our management team is highly experienced |
| Market conditions result in difficulties in divestment of properties at a time when the proceeds are required for new investments | Management constantly reviews the market conditions |

## STRATEGIC RISK

**Strategic risk includes the risk that the Group's business strategy or capital structure results in the Group underperforming the rest of the property sector, or being unable to take advantage of opportunities that may arise.**

| Risk description | Mitigation/action |
|---|---|
| Group's strategy is inconsistent with market conditions, for example:<br>- Asset concentration/lot size impacts on liquidity (e.g. if investments become difficult to sell, does this affect our liquidity?)<br>- Asset concentration/mix creates excessive volatility in property revaluation movements | Management constantly monitors and considers changes to the Group strategy in the light of any changes to market conditions. The management team is very experienced and has a good track record in the property market<br>Due to the small size of the Group and the management team, changes to the strategy can be effected quickly |

## FINANCIAL RISK

**The Group is subject to a number of financial risks due to the way in which it is funded.**

| Risk description | Mitigation/action |
|---|---|
| Accuracy of property valuations | Helical uses external independent valuers and/or members of executive management with extensive experience in the industry. Management maintains regular contact with valuers to understand movements in valuations |
| Inability to roll over loans | Good relationship with several established lending institutions<br>Borrowing is spread between a number of different institutions<br>We arrange debt repayment dates to spread the maturity profile of bank loans over several years |
| Availability of bank lending | Funding requirements are regularly reviewed |
| Increase in cost of borrowing | Interest rates on 100% loans are hedged<br>Hedging is regularly monitored to ensure that it remains at an appropriate level<br>Use of interest rate swaps and caps where appropriate |
| Breaching loan covenants | Adherence to loan covenants is closely monitored with reference to both current and forecast compliance |
| Breaching covenants of the retail bond | Adherence to the retail bond covenants is closely monitored |
| Insufficient liquidity to take advantage of opportunities | The Group maintains a sufficient level of cash resources or undrawn committed bank facilities<br>Management ensures that cash resources do not fall below current forecasts |
| Maintaining income streams/tenant default | Tenant covenant strength is considered when making property decisions<br>Management maintains dialogue with managing agents and tenants to reduce the risk of unexpected non-payment<br>Management ensures there is no over reliance on individual tenants |
| Inappropriate capital structure (i.e. too highly geared) | The Group's capital structure and gearing is constantly monitored to ensure that they reflect investment/development intentions and the Board's view on the property cycle |
| Loss of deposits due to banking counterparty failure | Management ensures that all deposits remain at well capitalised institutions<br>Regular monitoring of financial institutions |

## PEOPLE RISK

**The Group's continued success is reliant on our management and staff and successful relationships with our joint venture partners.**

| Risk description | Mitigation/action |
|---|---|
| Succession planning | The Nominations Committee and the Board review succession planning |
| Lack of the right personnel to ensure the Group's strategy is adhered to | Senior management team is very experienced<br>The Directors monitor staff resources to ensure they are appropriate to any changes in the business |
| Retention and incentivisation of key personnel | Remuneration is set to attract, motivate and retain high calibre staff<br>Employee turnover is low |
| Health & safety issues | The Group's Health and Safety policy is updated annually by the Board and reports are reviewed monthly by the Executive Committee and at every Board meeting<br>Use of specialist professional advice<br>Not involved in high risk activities<br>No significant issues reported in the year |
| Bribery and corruption risk | Anti-bribery policy and procedures are in place which are distributed to all staff. The Board is firmly behind the Group's anti-bribery stance<br>Management identify and monitor projects with a greater exposure to bribery and corruption<br>We avoid doing business in high risk territories |

## DEVELOPMENT RISK

**The Group derives a significant part of its results from development activity. Development profits are more likely to be subject to fluctuation due to external factors as they are more opportunistic in nature.**

| Risk description | Mitigation/Action |
|---|---|
| Inability to add to the current development pipeline | Experienced development team with an excellent track record<br>Good reputation in the property sector |
| Changes in legislation leading to delays in receiving planning permission | Good relationships with planning consultants and local authorities<br>Management keeps up to date with planning legislation<br>Use of specialist professional advisors |
| Lack of demand for new property | The Group's strategy is to avoid doing speculative developments |
| Inability to find suitable contractors/JV partners | Well established network of contractors, joint venture partners and professional advisors<br>As Helical nears the construction of key projects this risk increases |
| Counterparty risk (contractors, joint venture partners, contract parties) | Management monitors counterparties to review their ability to meet their obligations and to monitor the likelihood that they will become insolvent |

# CORPORATE RESPONSIBILITY





## INTRODUCTION

Helical Bar recognises that our business activities impact on the environment and the wider communities in which we operate. As our business involves working with joint venture partners and outsourcing partners, our direct impacts as a business are relatively small. However, we are aware of the influence we can exert through the implementation of responsible environmental and social practices via our partners, contractors and suppliers.

An endorsement of Helical Bar's commitment to managing environment and social impacts is our continued listing in the FTSE4Good Index. The FTSE4Good Index measures the performance of companies that meet globally recognised corporate responsibility standards and facilitates investment in those companies. Maintaining listed status on this index remains a key priority for Helical Bar, and informs our evolving approach to corporate responsibility.

## MANAGING CORPORATE RESPONSIBILITY

Each year we review and update our environmental management system, which has been in place since 2003, and the updated environmental management system, available on the Company website, is embedded within the operations of Helical Bar. Key elements of the system include:

- 'Environment' and 'Corporate Responsibility' policies which set out Helical Bar's high-level commitment across a number of impact areas. These are reviewed at Board level annually and are implemented by our senior management team.
- Annual (and rolling) performance targets to enable us to focus our efforts throughout the year on measurable, yet achievable performance goals. This year we have continued to report on energy and water consumption at our large managed multi-let assets and head office, and measured our performance against quantitive targets set in 2013. In addition, we have measured the proportion of waste at our managed assets as well as within our developments.
- Key Performance Indicators (KPIs) to help us monitor progress towards these targets and to ensure that we are able to report in line with investor disclosure requirements, notably FTSE4Good. It should be acknowledged that our particular business model with regard to the buying and selling of assets means that absolute performance measures can be difficult to compare year on year. We are currently investigating reporting against selected intensity KPIs.
- Checklists to assist us in applying minimum sustainability requirements across our development activities. In collaboration with our consultants, we developed a sustainability project management checklist to ensure that sustainability issues are incorporated into all decisions throughout the development lifecycle, which was reviewed and updated in the reporting year. In addition we utilise a Contractor Checklist that is issued to individual contractors in order to address our corporate goals at the construction stage.
- Effective use of internal audit and review through quarterly meetings of key Helical Bar personnel, their external corporate responsibility advisors and principal managing agents to ensure effective delivery of the objectives and targets.

The management system we have developed has been designed specifically to reflect the flexibility of Helical Bar's business model. It also reflects the key role that our partners play in delivering enhanced sustainability outcomes in all our business ventures, be they developments/refurbishments or in the management of individual multi-let assets.

## REVIEW OF PROGRESS IN THE YEAR TO 31 MARCH 2014

The benefits of managing our environmental and social impacts include increased ability to secure planning consent, improved marketability of assets to prospective tenants, reduced operating costs of assets, mitigation of the risk of future legislation and regulation, and enhanced corporate reputation.

Below we outline our progress in relation to the each of our Corporate Responsibility impact areas.

## ENVIRONMENT

Our high-level corporate commitments to environmental issues are outlined in the Company's Environmental Policy which can be found on the Company website. The policy details our commitments across a range of impact areas and our development and property management activities. In 2013-14, Helical Bar set itself 25 targets to guide the environmental element of its Corporate Responsibility programme over the following 12 months. These targets address a range of impacts arising from our development and property management activities, including resource use and waste production, pollution, biodiversity, timber sourcing, tenant engagement, flood risk and sustainable design and construction. A full list of these targets can be found on the Helical Bar website. The performance against the key targets is summarised below.

- At our London Head office, we aimed to maintain our current performance given the significant improvement achieved in previous years. Usage of gas and electricity showed a decrease of 20% and 2% respectively.
- At our managed multi-let offices, we continue to improve energy and water efficiency through the implementation of low and no cost measures. The specific target for 2013 was to achieve a 5% improvement against the 2012 baseline. A review of the data in the table below shows that performance is variable across the portfolio complicated by the changing nature of the portfolio with three new properties purchased and Battersea Studios sold in February 2014. Of those that can be compared, the Hub has shown an improved performance of an 11% decrease in electricity consumption and a 7% decrease in both gas and water consumption. Whereas the Shepherds Building has slightly increased its electricity consumption but decreased water consumption. The variation reflects increasing occupancy and ongoing changes to the portfolio structure.
- At our managed shopping centres, comparative figures where available indicate a similar story that the performance is allied to overall occupancy and programmed refurbishment. An example is the significant reduction in electricity consumption at Corby Town Centre which is attributed to the demolition of service and walkway areas along with associated lighting. Nevertheless, engagement exercises have also reaped dividends this year. The appointment of an environmental champion within the security team at Clyde Shopping Centre has achieved a 6% reduction in electricity consumption through implementing a lighting switch off campaign. Clyde Shopping Centre also achieved two Green Apple Awards in 2013, UK Gold Winner and Scotland Gold Winner under the category of Retail Shopping Centres in recognition of environmental schemes undertaken.
- Water consumption is generally comparable year on year across the shopping centre part of the portfolio. The larger differences at the Guineas, Idlewells and Clyde Shopping Centres are explained by meter and billing anomalies that are currently being resolved.
- We continue to offer recycling facilities at all our managed assets. Farm Street, the Shepherds Building, New Loom House, Corby Town Centre, The Guineas and Clyde Shopping Centre are diverting nearly100% waste from landfill. At some of our other managed assets we comfortably exceeded our ongoing target of a recycling rate of at least 35%. In addition, Shepherds Building achieved a Silver Award from First Mile recycling for the amount recycled in 2013.
- One ongoing target is to proactively engage with our tenants to encourage improvements in efficient use of the buildings. Individual property managers have engaged with tenants to try and see if there are ways in which efficiency initiatives can be introduced and to particularly encourage increased recycling within the portfolio.

- There was increased activity throughout the year under review with regard to construction projects. There were a number of refurbishments throughout the portfolio which provided completed checklists confirming compliance with Helical's objectives. Three retirement village developments at Durrants Village, Faygate, Maudslay Park, Great Alne and Millbrook Village, Exeter were ongoing and demonstrated achievement of key corporate objectives including maximising waste recycling and addressing ecological considerations. In addition, the site manager at Durrants Village achieved the accolade of a Silver Award from the Considerate Constructors' Scheme.

The Company has maintained its registration with CRC. The confirmed purchased allowance for 1 April 2012 to 31 March 2013 was 5,972 tonnes. The projected allowance for the year to 31 March 2014 is of a similar figure based on the current reported emissions for the portfolio as a whole. We have also reported to the Carbon Disclosure Project in 2013 and in line with the mandatory requirement for reporting our greenhouse gas emissions, have provided a separate disclosure in this report.

Below we present our utility consumption performance for multi-let buildings under management as well as our head office (where data availability permits). This year we have reviewed the data provision to ensure that it focuses on energy consumption that is the responsibility of the landlord to enable more robust reporting.

## HEAD OFFICE AND MULTI-LET OFFICES

| | Electricity 2012-13 kWh | Electricity 2013-14 kWh | Gas 2012-13 kWh | Gas 2013-14 kWh | Water 2012-13 $m^3$ | Water 2013-14 $m^3$ |
|---|---|---|---|---|---|---|
| 11-15 Farm Street, London W1J | 120,242 | 117,512 | 53,633 | 52,349 | 546 | 969 |
| Battersea Studios 1, London SW8[1] | 281,756 | 1,940,181 | 1,744,969 | 847,358 | 7,474 | 4,621 |
| Shepherds Building, London W14 | 413,490 | 451,612 | No gas[2] | No gas[2] | 8,373 | 6,800 |
| The Hub, Glasgow | 185,917 | 164,375 | 740,839 | 691,714 | 4,106 | 3,812 |
| 207 Old Street, London EC1 | - | 1,253,605 | - | 104,463 | - | 2,568 |
| 211 Old Street, London EC1 | - | 204,552 | - | 55,349 | - | 2,801 |
| New Loom House, London EC1 | - | 220,816[3] | No gas[2] | No gas[2] | - | 3,080[3] |

Notes:
1 Battersea Studios sold in February 2014
2 No gas refers to assets where gas is not used on site
3 Data for only part of the year as not in Helical Bar ownership for whole year
'-' refers to asset that was not in ownership

## SHOPPING CENTRES

| | Electricity 2012-13 kWh | Electricity 2013 -14 kWh | Gas 2012-13 kWh | Gas 2013-14 kWh | Water 2012 -13 $m^3$ | Water 2013 -14 $m^3$ |
|---|---|---|---|---|---|---|
| The Guineas Shopping Centre, Newmarket | 133,986 | 156,823 | No gas | No gas | 176 | 588 |
| Idlewells Shopping Centre | 309,597 | 332,404 | 16,453 | 33,429 | 951 | 189 |
| Corby Town Centre | 1,006,492 | 739,433 | 2,920 | 2,097 | 1,315 | 1,389 |
| The Morgan Quarter, Cardiff | 352,817 | 329,056 | No gas | No gas | 123 | 172 |
| Clyde Shopping Centre | 1,223,360 | 1,143,382 | No gas | No gas | 649 | 332 |

Notes:
- No gas refers to assets where gas is not used on site within landlord control

Going forward for 2014 -15, the suitability of the targets will be reviewed against the performance for 2013-14 and revised accordingly to remain challenging yet achievable.

## GREENHOUSE GAS EMISSIONS REPORTING

For the reporting year 1 April 2013 to 31 March 2014 we have followed the 2013 UK Government environmental reporting guidance and used 2013 UK Government's Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of Helical Bar's energy consumption.

- Scope 1 - direct emissions include any gas data for landlord controlled parts and fuel use for Company owned vehicles. Fugitive emissions from air conditioning are included where it is Helical Bar's responsibility within the managed portfolio.
- Scope 2 - indirect energy emissions includes purchased electricity throughout the Company operations within landlord controlled parts. Electricity used in refurbishment projects has not been recorded separately. In the majority of cases the electricity consumed is recorded for the individual properties as part of the data collection for the management of common parts, but going forward to 2014 it is a requirement for contractors to ensure project specific data is collected.

Greenhouse gas emissions (tonnes $CO_2e$) are set out below for the year.

| | 1 April 2013 to 31 March 2014 |
|---|---|
| Scope 1: Direct emissions | 494 |
| Scope 2: Indirect emissions | 2,619 |
| Total All Scopes | 3,113 |
| Intensity figure* | 0.00117 per sq ft |

* Note: the intensity figure for 2013/14 has been calculated based on net floor areas.

The specific target set by Helical Bar is to reduce energy consumption by 5% per annum in the principal managed assets. As discussed earlier in this section of the report, year on year performance is variable across the portfolio complicated by the changing nature through acquisition and divestment, increasing occupancy and ongoing refurbishment of the component assets.

## EMPLOYEES

As at 31 March 2014, we had 50 permanent employees, 28 of whom were based at our head office in London, 7 employed by a subsidiary, Asset Space Limited, and 15 in Poland.

Gender diversity of the Board and the Company as at 31 March 2014 is set out below:

| | Male | Female |
|---|---|---|
| Board | 100% | - |
| Senior managers | 86% | 14% |
| All employees | 46% | 54% |

We continue to enforce our equal opportunities, harassment and sexual discrimination policies. We also continue to monitor compliance with our anti-bribery and whistle blowing policies. There have been no incidents to report against these policies to date.

A high level of staff retention remains a key feature of our business. We retain a highly skilled and experienced team and the table below shows a breakdown of our staff by length of service.

| | Total number of staff as at 31 March 2014 | Average length of service (years) |
|---|---|---|
| Executive directors | 6 | 18.11 |
| Senior managers | 7 | 15.61 |
| All employees | 50 | 6.40 |

Our staff retention levels not only reflect competitive remuneration and benefits packages but also our commitment to enhancing the professional and personal skills of our team by supporting employee training and development, by means of training courses, seminars and mentoring where appropriate. As in previous years, we continue to evaluate training needs in line with business objectives.

There are no human rights issues of which the Board are aware that are considered relevant to the Group.

## COMMUNITIES

Helical Bar takes a strong interest in community issues. Community engagement is an on-going concern throughout the development process, from planning until development completion and operation. The following examples demonstrate how community engagement has benefited the communities that we work with over the past year.

- Clyde Shopping Centre sponsored the Scottish Youth Champions League for the second year running which is contested by Scotland's top teams. League winning teams from Aberdeen, Oban, Perth, Lesmahagow, Paisley, Ayr and Fife took part at the tournament hosted at Parklea, Glasgow. The benefits of youth sport help to tackle social and health issues in Scotland. Clyde Shopping Centre also gave space in the malls to The Kirkintilloch High School Young Enterprise Scheme for a weekend sales event. Competing teams set up individual RMUs to market and sell their developed products. The event helped to build pupils' understanding of the retail environment while building confidence and leadership skills.
- The Morgan Quarter in Cardiff ran an Apprentice-style initiative called Trading Places, partnering with the University of South Wales. Six local colleges worked with the shopping centre, to enable potential students to understand higher education opportunities on offer, whilst also putting their entrepreneurial skills into practice. The aim was to benefit the university by targeting and inviting in a number of 16-18 year olds who might not necessarily be looking at higher education. A one day event was organised, where students from the different colleges were mixed and put into teams to run stalls within a pop-up shop, using a vacant shop unit within the Morgan Quarter.
- Idlewells Shopping Centre and major tenant Specsavers teamed up and sponsored a local authority community event known as the Ashfield Festival. The sponsorship played a major part in enabling the annual local event to continue to go ahead in spite of public sector cutbacks. The centre exhibited in a marquee at the event and invited all retailers to join the centre management team to promote their own goods and services. Tenant uptake was positive, with around 20% of retailers taking an exhibition space. The centre management team ran competitions to raise money for Teenage Cancer Trust at the same time as showcasing a brand new interactive mobile phone application being launched to communicate retailer offers and special promotions to customers.
- Idlewells Shopping Centre also gave space on the malls to a local community group to place a food bank. In an area of the country hit hard by recession and consequential effects on unemployment levels, the demand for voluntary organisations to step in and offer help was growing. By having a food bank in the shopping centre, customers were able to place any excess food items directly into the food bank safe in the knowledge that their donations would be collected and passed on to those in need.
- The centre manager at The Guineas Shopping Centre in Newmarket is actively involved with the Newmarket Retailers Association planning, events and parking sub-committees. The events committee recently entered a float at the Severalls Newmarket Carnival Day which was a well attended event by all in the local community and an opportunity to promote retailers at the shopping centre. In addition, the planning committee has been instrumental in securing £100,000 from Tesco and £100,000 from Morrisons, Section 106 money which will be delivered as and when building takes place on both supermarket developments.

During the year to 31 March 2014 Helical has donated £17,400 to charity, including LandAid, Walking With The Wounded, The Haven (Breast Cancer Charity) and Schools Around The World.

## HEALTH & SAFETY

Helical Bar's Health & Safety policy aims to develop a corporate culture 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 and they ensure that health and safety considerations are always given priority in planning and in day-to-day activities. The Company's Health & Safety policy was reviewed and updated in February 2014 to reflect the latest legislative and regulatory developments. There have been no reportable RIDDOR incidents within the portfolio during the year ended 31 March 2014. The Company's Health & Safety policy can be found on the Company website.

## SUPPLIERS

Fair treatment of suppliers remains a key priority for Helical Bar, particularly in challenging market conditions where smaller suppliers in particular may rely on our payments for balanced cash flow. The Company's policy is to settle all agreed liabilities within the terms established with suppliers.

The Strategic Report, contained on pages 20 to 47, was approved by the Board on 19 June 2014.

On behalf of the Board

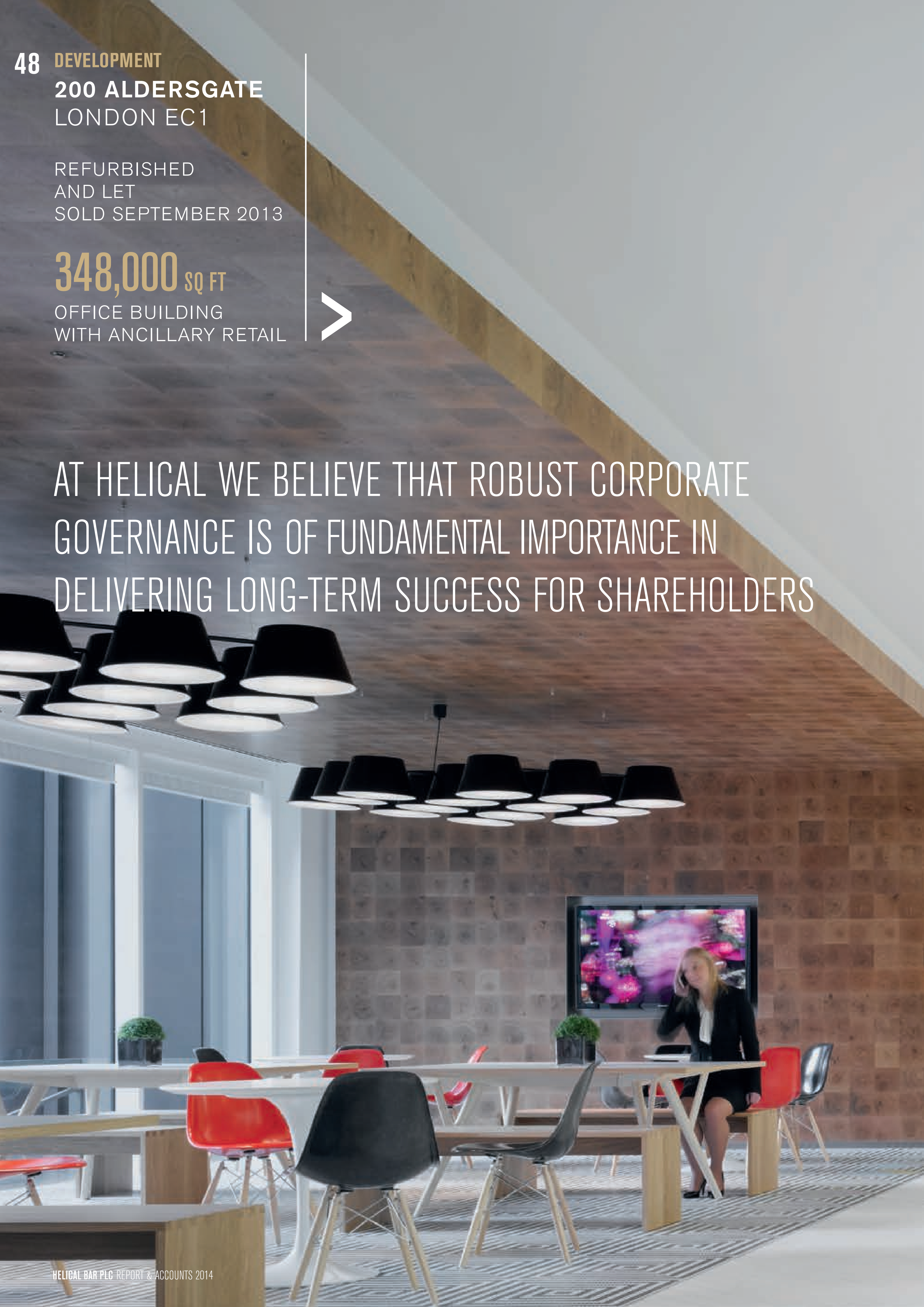
**Michael Slade**
Chief Executive

## 200 ALDERSGATE
LONDON EC1

REFURBISHED
AND LET
SOLD SEPTEMBER 2013

**348,000** SQ FT
OFFICE BUILDING
WITH ANCILLARY RETAIL

# AT HELICAL WE BELIEVE THAT ROBUST CORPORATE GOVERNANCE IS OF FUNDAMENTAL IMPORTANCE IN DELIVERING LONG-TERM SUCCESS FOR SHAREHOLDERS



# GOVERNANCE

# DIRECTORS OF THE COMPANY

## CHAIRMAN

**Nigel McNair Scott, MA FCA FCT,** joined the Board as a non-executive director in 1985 and was subsequently appointed Finance Director in 1987. He was appointed Chairman of the Company after the 2012 AGM. He is Chairman of Reaction Engines Limited, a former Chairman of Avocet Mining plc and a former director of Johnson Matthey plc and Govett Strategic Investment Trust. Nigel is Chairman of the Nominations Committee.

## EXECUTIVE DIRECTORS

**Chief Executive**
**Michael Slade, BSc (Est Man) FRICS FSVA,** joined the Board as an executive director in 1984 and was appointed Chief Executive in 1986. He is President of Land Aid, the property industry charity, a Fellow of the College of Estate Management, Fellow of Wellington College, a trustee of Purley Park charity and Sherborne School Foundation and Vice Admiral of the Marie Rose Trust.

**Finance Director**
**Tim Murphy, BA (Hons) FCA,** joined the Group in 1994 and became Finance Director of the Company in 2012. Prior to joining Helical, he worked for accountants Grant Thornton and KPMG. He has responsibility for financial strategy and reporting, treasury and taxation.

**Director**
**Gerald Kaye, BSc (Est Man) FRICS,** was appointed to the Board as an executive director in 1994 and is jointly responsible for the Group's development activities. He is a past President of the British Council for Offices and is a trustee of The Prince's Regeneration Trust. He is a former director of London & Edinburgh Trust Plc and former Chief Executive of SPP. LET. EUROPE NV.

**Director**
**Matthew Bonning-Snook, BSc (Urb Est Surveying) MRICS,** was appointed to the Board as an executive director in 2007. Prior to joining Helical in 1995 he was a Development Agent and Consultant at Richard Ellis (now CBRE). He is jointly responsible for the Group's development activities.

**Director**
**Jack Pitman, MA (Cantab) MRICS,** was appointed to the Board as an executive director in 2007. Before joining the Group in 2001 he was a director of Chester Properties Ltd. He is jointly responsible for the Group's investment portfolio and its retirement village portfolio.

**Director**
**Duncan Walker, MA (Hons) (Oxon), PG Dip Surveying,** joined the Group in 2007 and was appointed to the Board as an executive director in 2011. Prior to joining Helical, Duncan led Edinburgh House Estate's investment team. He is jointly responsible for the Group's investment portfolio and has been responsible for acquiring the majority of Helical's retail portfolio.

## NON-EXECUTIVE DIRECTORS

**Richard Gillingwater, CBE,** is the non-executive Chairman of Henderson Group plc, Senior Independent Director of Hiscox Ltd and SSE plc and non-executive director of Wm Morrison Supermarkets Plc. He was, until recently, Dean of Cass Business School. Prior to this he spent 10 years at Kleinwort Benson, before moving to BZW, and, in due course, becoming joint Head of Corporate Finance and then latterly Chairman of European Investment Banking at Credit Suisse First Boston. He was Chief Executive and later Chairman of the Shareholder Executive and has also been a non-executive director of P&O, Debenhams, Tomkins, Qinetiq Group and Kidde plc. Richard is the Senior Independent Director of Helical and is a member of the Nominations, Audit and Remuneration Committees.

**Richard Grant, BA (Oxon), ACA** is the Finance Director at Cadogan Estates Limited and former corporate finance partner at PricewaterhouseCoopers, whom he joined in 1975. Richard is the Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

**Andrew Gulliford, BSc (Est.Man), FRICS,** was appointed to the Board as a non-executive director in 2006. A former Deputy Senior Partner of Cushman & Wakefield Healey & Baker, he is a non-executive director of McKay Securities PLC, F&C UK Real Estate Investments Limited and various other companies. Andrew is the Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

**Michael O'Donnell** was appointed to the Board in June 2011. He is a former Managing Director of LGV Capital, a private equity firm. Through his company, Ebbtide Partners, he acts as a consultant to, and investor in, private companies. He is chairman of Cygnet, a mental healthcare provider, and of the holding board of LA Fitness, the operator of health and fitness clubs and is a non-executive director of Park Resorts, a caravan parks operator. Michael is a member of the Nominations, Audit and Remuneration Committees.

# CORPORATE GOVERNANCE REVIEW

At Helical we believe that robust corporate governance is of fundamental importance in delivering for shareholders the long-term success of the Company through the effective, entrepreneurial and prudent management of the Company. The Board of Helical is collectively responsible for providing the leadership of the Company within a framework of controls and reporting structures which assist in pursuing its strategic aims and business objectives.

**The UK Corporate Governance Code (the "Code")**
The Board is accountable to the Group's shareholders for good corporate governance. We believe in applying the highest principles of corporate governance and have complied throughout the year with the principles as set out in the section of the Code headed "The Main Principles of the Code". Except as stated below in relation to the appointment of Nigel McNair Scott as Chairman, we have complied with the provisions of the Code. The Group also takes into account the corporate governance guidelines of institutional shareholders and their representative bodies.

## LEADERSHIP

**Chairman**
Nigel McNair Scott, who was formerly the Group's Finance Director, was appointed as Chairman of the Company in 2012. The Code requires that a new chairman should satisfy, on appointment, the independence criteria set out in provision B.1.1 and Nigel McNair Scott did not satisfy this Code provision on appointment.

**Roles of Chairman and Chief Executive**
The Chairman and the Chief Executive are responsible for the leadership of the Company. The Chairman's primary responsibility is for leading the Board and ensuring its effectiveness, whilst the Chief Executive is responsible for running the Company's business. The division of responsibilities is clearly established at Helical and is set out in writing and is approved by the Board.

**Board responsibilities**
The main purpose of the Board is to create and deliver the long term success of the Group and returns for its shareholders. The Board is collectively responsible for providing the entrepreneurial leadership of the Group within a framework of controls and reporting structures which assist the Group in pursuing its strategic aims and business objectives. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and also reviews management performance. The Board sets the Group's values and standards and ensures that the Group's obligations to its shareholders and others are understood and met.

All directors take decisions objectively in the interests of the Group. As part of their roles as members of the Board, non-executive directors constructively challenge and help develop proposals on strategy and the risk appetite of the Group. Non-executive directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors. In conjunction with the Nominations Committee, the Board considers succession planning of Board members and senior management. In addition to Boardroom discussions, the Chairman maintains contact with other non-executive directors by telephone and, if appropriate and at least annually, will hold meetings with the non-executive directors without the executive directors present. Richard Gillingwater (Senior Independent Director) holds meetings of the independent non-executive directors separately from the rest of the Board at least once a year to ensure that any issues may be discussed without the presence of a non-independent director.

The Board has a schedule of matters specifically reserved to it for decision. The Board controls the business but delegates day-to-day responsibility to the executive management. An Executive Committee, comprising all the executive directors, meets regularly to discuss the development of strategy, to review and implement proposed transactions, to review policies and procedures (including health and safety), to monitor budget and financial performance and to assess risk. The full Board reviews all minutes of proceedings at Executive Committee meetings and receives reports from the Executive Committee Chairman (Michael Slade) at every Board meeting.

However, there are a number of matters which are required to be or, in the interests of the Group, should only be, decided by the Board as a whole. A summary of the schedule of matters reserved for the Board is set out below:

- Strategy and management - responsibility for the overall management of the Group; approval of the Group's long-term strategic aims and objectives; approval of annual operating and capital expenditure budgets; oversight of the Group's operations and review of performance; extension of the Group's activities into new business areas; approval of major capital projects and projects outside the normal course of business; any decision to cease to operate all or any material part of the Group's business.
- Structure and capital - changes to the Group's capital structure; major changes to the Group's corporate structure; changes to the Group's management and control structure; changes to the Group's listing or plc status.
- Financial reporting and controls - approval of half yearly report, approval of interim and final results announcements; approval of annual report and accounts, including the directors' report, corporate governance statement and the directors' remuneration report; approval of dividend policy; approval of significant changes in accounting policies or practices; approval of treasury policies; approval of material unbudgeted capital or operating expenditures.
- Internal controls - ensuring maintenance of a sound system of control and risk management.
- Contracts - approval of major capital projects; approval of contracts above limits of authority delegated by the Board.
- Communication - approval of resolutions and corresponding documentation to be put to shareholders in general meeting; approval of all circulars and listing particulars.
- Board membership and other appointments to senior management; appointment and removal of the Company Secretary; membership of Board committees following recommendations from the Nominations Committee.
- Corporate governance matters including directors' performance evaluations and review of the Company's corporate governance arrangements.
- Remuneration - determine the remuneration policy for the Chairman, executive directors, Company Secretary and other senior executives following recommendation from the Remuneration Committee; determine the remuneration of the non-executive directors subject to the Articles of Association and shareholder approval as appropriate.
- Approval of policies including anti-bribery policy; whistleblowing procedures; equal opportunities policy; diversity policy; share dealing code; health and safety policy; environmental and corporate social responsibility policy; charitable donations policy.

**Members of the Board**
The current members of the Board comprise a Chairman, six executive directors and four independent non-executive directors. The Chairman is Nigel McNair Scott. The executive directors are Michael Slade (Chief Executive), Tim Murphy (Finance Director), Gerald Kaye, Matthew Bonning-Snook, Jack Pitman and Duncan Walker. The non-executive directors are Richard Gillingwater (Senior Independent Director), Richard Grant, Andrew Gulliford and Michael O'Donnell. All the directors will be offering themselves for re-appointment at the 2014 AGM.

Biographies of all directors are on page 50 and details of their shareholdings in the Company are on page 67.

**Attendance at Board and Committee meetings during the year**
Six scheduled meetings of the Board were held during the year ended 31 March 2014. In addition, several unscheduled meetings were arranged to discuss particular transactions and events. On occasions, directors who are not members of the Committees attend at the invitation of the Committee Chairman. The attendance record of the directors at these scheduled meetings and at meetings of the Board's committees is shown in the table below:

| | Full Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|
| Number of meetings held during the year under review | 6 | 3 | 5 | 1 |
| **Chairman** | | | | |
| Nigel McNair Scott [1] | 6 | - | - | 1 |
| **Executive directors** | | | | |
| Michael Slade | 6 | - | - | - |
| Tim Murphy | 6 | - | - | - |
| Gerald Kaye | 6 | - | - | - |
| Matthew Bonning - Snook | 5 | - | - | - |
| Jack Pitman | 5 | - | - | - |
| Duncan Walker | 6 | - | - | - |
| **Non-executive directors** | | | | |
| Richard Gillingwater [1 2 3] | 5 | 2 | 4 | 1 |
| Andrew Gulliford [1 2 3] | 6 | 3 | 5 | 1 |
| Michael O'Donnell [1 2 3] | 6 | 3 | 5 | 1 |
| Richard Grant [1 2 3] | 6 | 3 | 5 | 1 |

[1] Member of the Nominations Committee (Chairman: Nigel McNair Scott)
[2] Member of the Audit Committee (Chairman: Richard Grant)
[3] Member of the Remuneration Committee (Chairman: Andrew Gulliford)

## EFFECTIVENESS

**Composition of the Board**
The Code requires a Board to have an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. Helical operates with a strong management team of senior decision makers backed up by a finance team and other support staff. The Group is keen to promote exceptional talent to Board level at the earliest opportunity to expose such individuals to the broader issues facing the business, encourage their long term commitment to the Group and to provide for future succession. It is for these reasons that Helical's Board includes six executive directors, which is more than those of other comparable listed real estate companies.

Provision B.1.2 of the Code notes that companies such as Helical, which are below the FTSE350, are required to have at least two independent non-executive directors. The Board has determined that in Helical's case a total of four independent non-executive directors is appropriate to balance the current executive team, to provide the experience and advice that the executive team seeks and to ensure the interests of shareholders and other stakeholders are adequately protected. The independent non-executive directors are Richard Gillingwater, Richard Grant, Andrew Gulliford and Michael O'Donnell.

In the Board's view, the composition of the Board has an appropriate balance of skills, experience, independence and knowledge of the Company as required by the Code.

**Annual evaluation of the Board and its Committees**
The annual evaluation process, led by the Senior Independent Director, involves each director submitting an appraisal in respect of the performance of the main Board, its committees and directors, including the Chairman. Since the Company is outside the FTSE350 it does not currently make use of an external evaluation process as permitted by the Code.

During the year the Board undertook a formal evaluation of its own performance and that of its committees and the Senior Independent Director reported the results of that evaluation process to the Board. The process covered criteria including real estate matters, Board composition and Board and Committee processes. Individual evaluations of directors were conducted by the Chief Executive and Chairman. There were no significant areas of concern raised by the Directors and any points raised have been dealt with appropriately.

**Directors - information and professional development**
The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and its directors are free to seek any further information they consider necessary. The directors have access to the services of a professionally qualified and experienced Company Secretary who is responsible for advising the Board on all governance matters and ensuring compliance with Board procedures and applicable laws and regulations. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating induction of new directors and assisting with professional development as required. The Board ensures that directors have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors. Training is available for all directors as necessary.

**Nominations Committee**
The report of the Nominations Committee, which describes the work of the Committee, is on page 54.

## ACCOUNTABILITY

**Audit Committee**
The Audit Committee Chairman is Richard Grant, who is the Finance Director of Cadogan Estates Limited and a former partner of PricewaterhouseCoopers. As a result, the Board considers that he has recent and relevant financial experience. The report of the Chairman of the Audit Committee describing the issues considered by the Committee in the year under review is on page 68.

**Risk management and internal controls**

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. Such a system is designed to manage, but cannot 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.

The key features of the Group'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.
- Financial information systems including cash flow, profit and capital expenditure forecasts. The Board receives 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 matters. In the year under review the Audit Committee met with the Auditors on two occasions.
- The Board is responsible for the management of the Group's risk profile which is reviewed by the Audit Committee during the year. An analysis of the Group's principal risks can be found on pages 42 to 44.

**Internal audit**

The Board reviewed its position during the year to 31 March 2014 and reaffirmed its stance that in view of the relatively small size of the Group it does not consider that an internal audit function would provide any significant additional assistance in maintaining a system of internal controls.

**Going concern**

The directors have reviewed the current and projected financial position of the Group making reasonable assumptions about future trading performance.

The key areas of sensitivity are:

- Timing and value of property sales.
- Availability of loan finance and related cash flows.
- Future property valuations and their impact on covenants and potential loan repayments.
- Committed future expenditure.
- Future rental income and bad debts.
- Payment timings and the value of trade receivables.

The forecast cash flows have been sensitised to reflect those cash inflows which are less certain and to take account of a further deterioration of property valuations. From their review, the directors believe that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future.

## REMUNERATION

This information is contained in the Directors' Remuneration Report on pages 55 to 67.

## RELATIONS WITH SHAREHOLDERS

**Notice of Annual General Meeting**

The Code recommends that the Notice of AGM and related papers be sent to shareholders at least 20 working days before the meeting. For the 2013 AGM the Notice and related papers were sent out 21 working days before the AGM.

**Relations with shareholders**

The directors value the views of the Company's shareholders and recognise their interest in the Group's strategy and performance, Board membership and quality of management. They hold regular meetings with, and give presentations to, the Company's institutional shareholders to discuss the Group's results and objectives. The directors regularly meet, with the help of the Company's brokers, institutions that do not currently hold shares in the Group to inform them of the Company's objectives. Michael Slade, as Chief Executive, attends most of these meetings and is usually accompanied by one of the other executive directors.

During the year under review, Andrew Gulliford, as Chairman of the Remuneration Committee, engaged with principal shareholders (holding more than 3% of the Company's shares) and shareholder representative bodies, to seek their approval for the renewal of the Company's Long Term Incentive Plan, to be proposed to shareholders at the 2014 AGM.

The Senior Independent Director, Richard Gillingwater, was available to meet with shareholders throughout the year under review and will hold meetings with shareholders whenever requested in order to ensure sufficient understanding of any issues and concerns they may have.

The AGM is used to communicate with investors and they are encouraged to participate. The Chairman, Senior Independent Director and members of the Audit, Remuneration and Nominations Committees will attend the AGM and will be available to answer questions. Separate resolutions are proposed on each issue in order that they can be given proper consideration and there is a separate resolution to consider the annual report and accounts. All proxy votes are counted and the level of proxies lodged on each resolution will be indicated after it has been dealt with by a show of hands.

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

By order of the Board

**Heather Williams FCIS**
Company Secretary

19 June 2014

# REPORT OF THE NOMINATIONS COMMITTEE

In accordance with the UK Corporate Governance Code, the role of the Nominations Committee, and my primary responsibility as its Chairman, is to ensure that the Company is headed by an effective Board which is collectively responsible for the long-term success of the Company. This is best achieved through the provision of entrepreneurial leadership and a talented executive team, supported by committees with an appropriate balance of skills, experience, independence and knowledge of the Company to be able to constructively challenge and assist the executive team in achieving its objectives. Alongside me, the Committee comprises Richard Gillingwater, Richard Grant, Andrew Gulliford and Michael O'Donnell.

## BOARD APPOINTMENTS

Appointments to the Board and its Committees are made against objective criteria. Care is taken to ensure that appointees have enough time available to devote to the job. The Nominations Committee controls the process for Board appointments and makes recommendations to the Board. The Board is mindful of the Group's diversity policy and the Committee will give full consideration to diversity, including gender diversity, when recommending to the Board any future Board appointments. All Board appointments will be based on experience and will be made on merit.

## THE WORK OF THE NOMINATIONS COMMITTEE IN THE YEAR

The Committee met once during the year and all members attended this meeting. A record of attendance at all Board and Committee meetings is shown on page 52.

The Committee reviews the structure, size and composition of the Board.

The terms of reference of the Nominations Committee, which were reviewed and updated during the year, are available on request and are included on the Group's website at www.helical.co.uk.

## DIRECTORS' RE-ELECTION

The Board believes that the requirements of Code Provision B.7.1 of the UK Corporate Governance Code should be fulfilled. This provision requires all directors of FTSE350 companies to be subject to annual re-election by shareholders. Whilst the Company is not in the FTSE350, the Board has chosen to comply with this provision as it accepts that shareholders should annually have the right to vote on each director's re-election to the Board.

At the Annual General Meeting to be held on 25 July 2014, the following resolutions relating to the appointment of directors are being proposed:

- The re-election of Nigel McNair Scott as non-executive Chairman;
- The re-election, as executive directors, of Michael Slade, Tim Murphy, Gerald Kaye, Matthew Bonning-Snook, Jack Pitman and Duncan Walker; and,
- The re-election, as independent non-executive directors, of Richard Gillingwater, Richard Grant Andrew Gulliford and Michael O'Donnell.

The Nominations Committee confirms to shareholders that, following the annual formal performance evaluation and taking into account their qualifications and experience, these directors continue to be effective and demonstrate commitment to their roles. Biographical details of the directors are given on page 50.

I trust that shareholders will support the Committee and vote in favour of these resolutions.

**Nigel McNair Scott**
Chairman of the Nominations Committee

19 June 2014

# DIRECTORS' REMUNERATION REPORT

## ANNUAL STATEMENT

Dear Shareholder,

I am pleased to present the Remuneration Committee's Report on directors' remuneration for the year to 31 March 2014. This report has been approved by the Board of Helical Bar plc.

The main duty of the Remuneration Committee ("Committee") is to determine and agree with the Board, the framework or broad policy for the remuneration of the Chairman and the executive directors and, subject to proposals being submitted by the Chief Executive, recommend and monitor the level and structure of remuneration for such other members of the executive management who report directly to the Chief Executive. The remuneration of non-executive directors shall be a matter for the Chairman and Executive members of the Board.

The Directors' Remuneration Report has been prepared in accordance with the Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations issued by the Department for Business, Innovation and Skills in 2013. In particular, the report has been divided into the following two sections:

- Remuneration Policy Report, which sets out the Group's policy on the remuneration of executive and non-executive directors; and
- Annual Report on Remuneration, which discloses how the remuneration policy has been implemented in the year ended 31 March 2014 and how the policy will be operated in the year ending 31 March 2015.

A binding vote on the Directors' Remuneration Policy Report and an advisory vote on this Annual Statement and the Annual Report on Remuneration will be tabled at the forthcoming 2014 AGM.

### REMUNERATION ISSUES DEALT WITH DURING THE YEAR

The Committee considered a number of matters during the financial year under review and the following decisions were taken:

- Basic salaries of executive directors were reviewed in July 2013 and inflationary increases of 3% were awarded with effect from 1 July 2013 to Michael Slade, Gerald Kaye, Matthew Bonning-Snook and Jack Pitman;
- The basic salaries of Tim Murphy and Duncan Walker were increased by 10% from 1 July 2013 to move their salaries towards market norms;
- The basic salary of Matthew Bonning-Snook was increased by a further 18% from 1 January 2014 and the basic salary of Duncan Walker is to be increased by 16% from 1 July 2014, both increases reflecting each individual's significantly increased contribution to the business and to bring their remuneration more in alignment with their fellow directors;
- The Committee reviewed the awards made in accordance with the terms of the Performance Share Plan 2004 ("2004 PSP") in 2010 and considered the performance of the Company during the three year performance period to 31 March 2013. The performance conditions required for vesting of the shares were not met and no shares vested;
- The Committee resolved in June 2013 to make a further award of shares under the terms of the 2004 PSP;
- The Committee recommended that the Company's Employee Share Ownership Plan Trust ("ESOP") acquire a further 250,000 shares in the Company to enable it to satisfy the anticipated vesting of share awards in 2014/15; and
- As a result of the 2004 PSP nearing the end of its ten year life, the Committee resolved that formal shareholder approval should be sought for a replacement scheme (the "Performance Share Plan 2014" or "2014 PSP") at the 2014 AGM. The proposed replacement scheme introduces a third performance criteria of relative Total Shareholder Return ("TSR") and provides for additional shareholder protections, including a two year post vesting holding period, clawback and increased minimum shareholding requirements for executive directors of 300% of basic salary in line with best practice.

The implementation of these decisions is detailed in this report, together with additional information on the fixed and variable remuneration paid and payable to the directors of the Group.

### PERFORMANCE AND REWARD DURING 2013

As noted in the Strategic Report on pages 20 to 47, the Group has delivered an increase in EPRA net assets per share of 18.6% and a total portfolio return, as reported by IPD, of 23.8%. Pre-tax profits of the Group, before performance related awards, increased to £120m (2013: £12m).

Subsequent to the year end, and in accordance with the rules of the Helical Bar Annual Bonus Scheme 2012 and the Executive Bonus Plan 2011, cash bonuses have been approved for inclusion in the financial statements for the year to 31 March 2014. Details of the bonuses payable are disclosed in the Annual Report on Remuneration below.

Awards made under the 2004 PSP in 2011 were subject to two performance conditions over the three years to 31 March 2014. Two thirds of the awards were based on absolute net asset value performance with a vesting threshold of 7.5% p.a. (24% over three years) growth and maximum vesting at 15.0% p.a. (52% over three years) growth. The remaining third of the awards were based on a comparison of the Group's portfolio return to the IPD Total Return index with a vesting threshold of the median of the index and full vesting at the upper quartile of the index. The performance criteria were measured at the end of the three year period and 62% of the awards are expected to vest.

The Committee believes that the provision for annual cash and deferred shares bonuses and the expected 2004 PSP vesting in respect of the performance periods ending 31 March 2014 accurately and fairly represents the performance of the Group over the respective performance periods.

### REMUNERATION POLICY FOR 2014

The Remuneration Committee of Helical Bar plc is committed to ensuring that its remuneration policy remains aligned to the interests of shareholders, incentivising management to increase total returns and growing net asset value per share whilst ensuring that an appropriate balance is maintained between the targets set for management and the risk profile of the Group.

The Committee believes that it has struck the right balance between fixed annual remuneration and an incentive structure with challenging targets which seeks to reward outperformance with a mixture of cash-based annual bonus payments and longer term share awards.

Reviewing the current remuneration the Committee has determined that the basic salaries of the executive directors, excluding those salaries of Matthew Bonning-Snook and Duncan Walker, should be increased from 1 July 2014 by an amount reflecting current inflation levels and has determined that this should be 2% (2013: 3%), which is below the average 6% awarded to all other employees of the Group. As stated above, Duncan Walker's base salary will be increased by 16% to move him towards market norms as his contribution increases.

The two annual bonus schemes were approved by shareholders in 2011 and 2012 and will not be reviewed during the forthcoming year. However, as a result of the 2004 PSP reaching the end of its ten year life, major shareholders and representative bodies have been consulted on a replacement scheme, the Helical Bar Performance Share Plan 2014, with increased shareholder protections. A resolution seeking approval of this replacement scheme will be put to shareholders at the 2014 AGM. The first grant under this plan will be made, subject to shareholder approval, following the 2014 AGM.

### ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 25 July 2014 the following resolutions relating to remuneration are being proposed:

- The approval of the Directors' Remuneration Policy Report;
- The approval of the Annual Statement and Annual Report on Remuneration for the year ended 31 March 2014; and
- The approval of the replacement long term incentive plan, the 2014 Performance Share Plan.

I trust that shareholders will support the Committee and vote in favour of these resolutions.

**Andrew Gulliford**
Chairman of the Remuneration Committee

19 June 2014

# REMUNERATION POLICY REPORT

The Report of the Remuneration Committee has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Act"). It has been approved by the Board and will be submitted to shareholders for approval at the Annual General Meeting to be held on 25 July 2014. If approved, the Remuneration Policy Report will have an effective date from that point and for a period of three years. The Company's remuneration policy follows the principles and guidelines of the Listing Rules and the UK Corporate Governance Code 2012 as they relate to directors' remuneration.

## REMUNERATION POLICY REPORT

This section of the Remuneration Report sets out the remuneration policy of the Group from 1 April 2014 which will, subject to shareholder approval, become formally effective at the 2014 AGM. There have been no changes to this policy since 1 April 2013 and the Committee believes that the policy continues to support the Group's strategy and is aligned with shareholders' interests.

## REMUNERATION POLICY

Helical's approach to the remuneration of its executive directors is to provide a basic remuneration package below the median level of its peers within the listed real estate sector combined with an incentive based bonus and share scheme structure aligned with the interests of its shareholders. Remuneration within the real estate sector is monitored and reviewed regularly to ensure that the Group's positioning of its remuneration remains in line with these objectives. In addition to this external view, the Committee also monitors the remuneration levels of senior management below Board level and the remuneration of other employees to ensure that these are taken into account in determining the remuneration of executive directors and considers environmental, social, governance and risk issues.

In determining such policy, the Committee shall take into account all factors which it deems necessary. The objective of the remuneration policy shall be to ensure that executive directors and senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Within the terms of the agreed policy, the Committee shall determine, for the executive directors:

- the total individual remuneration packages of each executive director including, where appropriate, basic salaries, bonuses, share awards, and other benefits;
- targets for any performance related remuneration schemes; and
- service agreements incorporating termination payments and compensation commitments.

The terms of reference of the Remuneration Committee are available on request and are included on the Group's website at www.helical.co.uk.

## OPERATION OF PERFORMANCE RELATED REMUNERATION

The Committee operates the two annual bonus schemes and the 2004 PSP (to be replaced by the 2014 PSP) in accordance with their respective rules, as approved by shareholders, and the Listing Rules. In seeking shareholder approval to the performance related remuneration schemes the Committee has incorporated a number of shareholder protections and will apply these in the operation of the schemes. In particular, the Committee has:

- Applied a profit sharing and net asset value model to ensure cash bonuses vest only on performance and with maximum limits;
- Included clawback provisions in the Annual Bonus Scheme 2012 and the proposed 2014 PSP;
- Retained absolute discretion with regard to the payment of cash bonuses or the vesting of shares in the determination of good/bad leavers, or change of control or if payment of bonuses is not deemed to be in the interests of shareholders; and
- Included enhanced share retention guidelines.

**Directors' remuneration policy table**

The table below summarises the directors' remuneration policy:

| Element | Purpose and link to strategy |
|---|---|
| Salary | - Reflects the value of the individual and their role and responsibilities<br>- Reflects delivery against key personal objectives and development<br>- Provides an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income |
| Annual bonus: CEO and Finance Director | - Provides focus on delivering net asset value growth above sector benchmark<br>- Rewards and helps retain key executives and is aligned to the Group's risk profile<br>- Maximum bonus only payable for achieving demanding targets |
| Annual bonus: other directors | - Provides focus on delivering returns from the Group's property portfolio<br>- Aligned with shareholders through a profit sharing model, with appropriate hurdles and shareholder protections<br>- Rewards and helps retain key executives and is aligned to the Group's risk profile<br>- Maximum bonus only payable for achieving demanding targets |
| Long term incentive awards | - Aligned to main strategic objective of delivering long-term value creation<br>- Aligns executive directors' interests with those of shareholders<br>- Rewards and helps retain key executives and is aligned to the Group's risk profile |
| Other benefits | - Provide insured benefits to support the individual and their family during periods of ill health, accidents or death<br>- Cars or car allowances to facilitate effective travel |
| Share ownership guidelines | - To provide alignment of interests between executive directors and shareholders |
| Non-executive director fees | - Reflects time commitments and responsibilities of each role and fees paid by similarly sized companies<br>- The remuneration of the non-executive directors is determined by the Board. |

In addition to the above, executive directors may also participate in any all-employee share arrangement operated by the Company, up to prevailing HMRC limits.

| Operation | Maximum | Performance targets |
|---|---|---|
| - Normally reviewed annually, effective 1 July<br>- Paid in cash on a monthly basis; not pensionable<br>- Takes periodic account against companies with similar characteristics and sector comparators<br>- Targeted between lower quartile and median<br>- Reviewed in context of the salary increases across the Group | - No maximum or maximum salary increase is operated<br>- Salary increases will not normally exceed the average increase awarded to other employees<br>- Increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the basic salary of newly appointed executives to move towards market norms as their experience and contribution increases | - N/A |
| - Payable in cash and deferred shares<br>- Non-pensionable | - £2m p.a. in total, £1.5m p.a. per individual<br>- Dividend equivalent payments (in cash or in shares) may be payable on deferred shares | - Performance normally measured over one year<br>Sliding scale targets based on:<br>- The amount by which the increase in the Group's net asset value exceeds an industry benchmark<br>- Subject to achieving minimum relative performance levels<br>- Details of actual targets are set out on page 63 |
| - Payable in cash and deferred shares<br>- Non-pensionable | - 300% of salary p.a. plus additional 300% in year five and year ten<br>- Dividend equivalent payments (in cash or in shares) may be payable on deferred shares | - Performance normally measured over one year<br>Sliding scale targets based on:<br>- Profits/losses of the business plus growth in values of the investment, trading and development portfolio after charging for the Group's finance, administration costs and the use of the Group's equity<br>- Clawback provisions apply<br>- Details of profit sharing arrangements are set out on pages 63 and 64 |
| - Discretionary annual grant of conditional share awards under the 2014 PSP. The 2014 PSP will, subject to shareholder approval at the 2014 AGM, replace the 2004 PSP which will shortly reach the end of its 10 year life. | - 300% of salary p.a. for all executive directors<br>- Dividend equivalent payments (in cash or in shares) may be payable | - Performance normally measured over three years<br>- 10% of an award vests at threshold performance<br>- Performance targets linked to net asset value per share, total property return and total shareholder return (2014 PSP)<br>- Details of actual targets for the awards to be granted in 2014 are set out on pages 60 and 61<br>- Clawback provisions apply to awards to be granted under the 2014 PSP |
| - Benefits provided through third party providers<br>- Insured benefits include: private medical cover, life assurance, permanent health insurance and car or car allowances. Other benefits may be provided where appropriate | - N/A | - N/A |
| - Executive directors are required to build and maintain a specified shareholding through the retention of the post-tax shares received on the vesting of awards<br>- Participants in the 2004 PSP and 2014 PSP are required to retain shares acquired for at least two years after vesting | - N/A | - Aim to hold a shareholding to equal or exceed 200% of basic salary (increasing to 300% on the first vesting of awards granted under the 2014 PSP) |
| - Cash fee paid monthly<br>- Fees are reviewed on an annual basis<br>- Fixed three year contracts with three month notice periods | - No maximum or maximum fee increase is operated<br>- Fee increases may be guided by the average increase awarded to Executive Directors and other employees and/or general movements in the market<br>- Increases may be above this level if there is an increase in the scale, scope or responsibility of the role | - N/A |

## RECRUITMENT POLICY

In considering the structure of the Board, the balance between executive directors and independent non-executive directors and the skills, knowledge and experience required to ensure the Board functions in accordance with the Group's objectives, the Committee will seek to apply the following principles in relation to the remuneration of new directors, whether by internal promotion or external appointment:

| Element | Policy |
|---|---|
| Salary | The salary of newly appointed executive directors would reflect the individual's experience and skills, and be targeted at between lower quartile and median of appropriate sector comparables, taking into account internal comparisons. On initial appointment, salaries would generally be set at a level lower than benchmarked for that role to allow for pay increases to market levels subject to satisfactory progress and contribution. |
| Benefits | Benefits would be as are currently provided and periodically reviewed, being car or car allowance, private medical cover, permanent health insurance and life assurance. |
| Pension | There is no Company pension scheme for directors and no contributions are payable to directors' own pension schemes. |
| Annual bonus | Annual bonus arrangements would be set in line with existing arrangements as approved by shareholders, with the Committee retaining the right to pro-rata any bonus payable in respect of the first year of employment. |
| Long term incentives | Annual awards under the terms of the 2014 PSP (subject to shareholder approval at the 2014 AGM) will be made in accordance with the terms of that Plan. |
| Share Incentive Plan | In line with that of existing executive directors. |
| Buy-out awards | Should it be deemed necessary to compensate a new director for loss of bonus or incentives from a previous employer, the Committee may structure the remuneration of such director to buy-out any such bonus or incentives on a like-for-like basis in respect of currency (i.e. cash versus shares), timing and performance targets. Where possible such buy-out will be structured within the Company's existing incentive arrangements but the Committee has the discretion to implement the exemption under rule 9.4.2 of the Listing Rules. |
| Non-executive directors | Newly appointed non-executive directors will be paid fees at a level consistent with existing non-executive directors. Fees would be paid pro-rata in the year of appointment. |

## HOW EMPLOYEE PAY IS TAKEN INTO ACCOUNT AND HOW IT COMPARES TO THE REMUNERATION POLICY OF EXECUTIVE DIRECTORS

All full-time employees of the Company, including executive directors, receive a basic remuneration package including base salary, private medical cover, permanent health insurance, life assurance and membership of the Share Incentive Plan. In addition, directors and senior management are entitled to the use of company cars or the payment of a car allowance. Whilst employees below Board level are not entitled to participate in the Executive Bonus Plan 2011 or Annual Bonus Scheme 2012, discretionary bonuses are paid to employees on an individual basis depending on their performance and contribution. The Performance Share Plan is available to all employees but is primarily utilised to incentivise executive directors and senior management. An Inland Revenue approved Company Share Option Plan is available for the Committee to grant options to those who do not receive awards under the Performance Share Plan. In determining executive remuneration, the Committee considers the overall remuneration of all the Company's employees and, other than in exceptional circumstances, seeks to award increases in salaries at levels below those made to other staff and within its own guidelines. The remaining remuneration is weighted towards performance related awards. The Committee does not consult with its employees when drawing up the Company's remuneration policy.

## PERFORMANCE METRICS

The performance metrics used in the two annual bonus schemes and the long term incentive plan are aligned with the Company's Key Performance Indicators, discussed on pages 22 to 23.

The Executive Bonus Plan 2011 compares the net asset value per share performance of the Company to an index of property performance as measured by the Investment Property Databank ("IPD"). The intention is to compare the Company's overall financial performance to that of the real estate sector's primary index. The scheme is open to the Chief Executive and the Finance Director.

The Annual Bonus Scheme 2012 is a profit sharing model which takes the results of the Company, including valuation movements on its property portfolio, and, after charging all finance costs, non-performance related administration costs and a charge for the use of the Company's equity, allocates the net results into a profit pool for payment to participants with maximum limits, deferral clawback and other shareholder protections. The scheme is open to executive directors, other than the Chief Executive and the Finance Director.

Long term incentives, awarded in accordance with the rules of the 2004 PSP (to be replaced, subject to shareholder approval, with the 2014 PSP), are subject to an absolute net asset value growth test and a relative performance metric based on the performance of the Company's property portfolio compared to an IPD index. In the 2014 PSP, these two criteria are to be joined by a third metric, based on relative Total Shareholder Return.

## SERVICE CONTRACTS

The service contract of Michael Slade operates from 1 August 2007, those of Gerald Kaye, Matthew Bonning-Snook and Jack Pitman from 1 March 2010, that of Duncan Walker from 24 June 2011 and of Tim Murphy from 24 July 2012. No service contract provides for more than a one year notice period. All service contracts can be inspected at the registered offices of the Company.

## LEAVER POLICY

On termination of employment each director may be entitled to a payment in lieu of notice of basic salary and other contractual entitlements i.e. provision of a car, health and life insurance. The Group may make payments in lieu of notice as one lump sum or in instalments, at its own discretion. If the Group chooses to pay in instalments the director is obliged to seek alternative income over the relevant period and to disclose the amount to the Group. Instalment payments will be reduced by any alternative income.

Awards under the Executive Bonus Plan 2011 may be payable with respect to the period of the financial year served although amounts will be paid at the normal payout date and, normally, pro-rated for the period of the financial year worked.

Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules.

Under the Helical Bar Annual Bonus Scheme 2012, participants shall not normally be entitled to receive any distribution under the scheme following cessation and shall immediately cease to have any interests, benefits, rights and/or entitlements under the scheme howsoever arising on the date of such cessation except where good leaver status applies (i.e. death; injury, disability; redundancy; retirement; sale or transfer of employing company or business outside of the Group or any other reason permitted by the Committee). For good leavers, individuals would cease to accrue future amounts into future Bonus Award Pools although would continue to receive deferred share awards and any remaining amounts held in the Bonus Award Pools for a period of three years from cessation.

For awards granted under the 2004 PSP, awards will normally lapse at cessation except where the good leaver status applies (e.g. death, redundancy, retirement due to injury, disability or retirement otherwise with the Committee's agreement). For good leavers, awards will vest at cessation having regard to the satisfaction of the relevant performance conditions and the time elapsed since the date of the award (rounded up to the nearest whole year).

For awards granted under the 2014 PSP, awards held by good leavers will vest on the normal vesting date subject to performance conditions and time pro-rating, unless the Committee determines that awards should vest at cessation and/or time pro-rating should not apply.

## NON-EXECUTIVE DIRECTORS

Non-executive directors are appointed by a Letter of Appointment and their remuneration is determined by the Board. The appointment of non-executive directors is terminable on three months' notice. Non-executive directors are not eligible to participate in any new awards made under the terms of the Group's bonus or share award schemes. In exceptional circumstances, where an executive director becomes a non-executive director e.g. Nigel McNair Scott became Chairman in 2012, ongoing participation in awards previously made in bonus and share schemes will be subject to the rules of those schemes and will be subject to the discretion of the Committee.

## SHARE OWNERSHIP GUIDELINES

Senior executives will not normally be permitted to sell shares received through the 2004 PSP/2014 PSP, other than to meet taxation (and national insurance contributions) liabilities, for at least two years and until they own shares to the value of 200% of basic salary for executive directors and 100% of salary for other executives. This is to be increased for executive directors to 300% on the first vesting of share awards in respect of the 2014 PSP. To date, all shares received by the executive directors under the terms of the group's 2004 PSP and Share Incentive Plan have been retained, net of taxes paid, thereby increasing the management's shareholding in Helical.

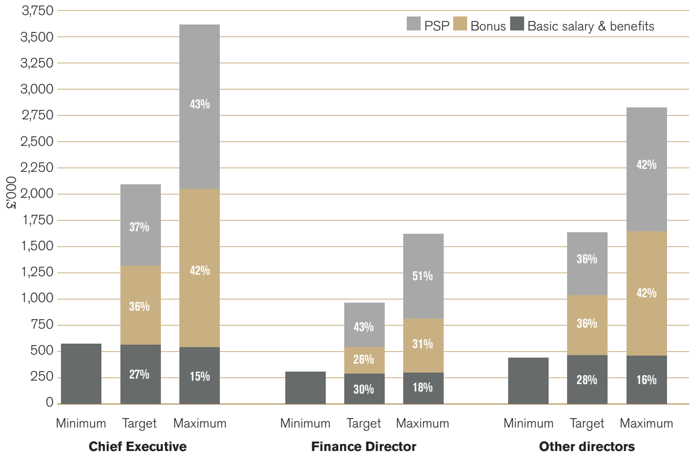
## ALIGNMENT WITH SHAREHOLDER INTERESTS

The Remuneration Committee has analysed the potential gains that may be made by executives (directors and those below Board level) through the 2004 PSP/2014 PSP and other incentive arrangements currently in place. It has concluded that the share of the increase in the value of the Group (measured as the increase in the net asset value plus cash returned as dividends to shareholders) that could accrue to all executives through the Group's long and short-term incentive and bonus plans at the point at which the maximum awards vest over the term of the plans might be of the order of 20%. At this point, in absolute terms, the Group will have increased its triple net asset value by at least 15% per annum with the Group's relative performance placing it in the top quartile of IPD, over each three year period.

## REWARD SCENARIOS

The charts below show how the composition of the executive directors' remuneration packages varies at three performance levels, namely, at minimum (i.e. fixed pay), target (assumed to be 50% of the maximum incentive levels) and maximum levels, under the policy set out in the table overleaf.

**Value of remuneration packages at different levels of performance**




The charts are based on:

- salary levels effective 1 April 2014.
- an approximated annual value of benefits (no pension is provided).
- a £1.5m maximum annual bonus for the Chief Executive, a £500,000 maximum annual bonus for the Finance Director and a 300% of salary maximum annual bonus for the other executive directors (based on Gerald Kaye's package for simplicity) (with target assumed to be 50% of the maximum).
- a 300% of salary award under the 2014 PSP in line with the normal maximum award (with target assumed to be 50% of the maximum). No share price appreciation in respect of the 2014 PSP awards has been assumed.

## REMUNERATION COMMITTEE

The Committee comprises Andrew Gulliford, as Chairman, Richard Gillingwater, Richard Grant and Michael O'Donnell, all of whom have served throughout the year. Each member of the Committee is an independent non-executive director.

## ADVISORS TO THE COMMITTEE

The Committee consults the Chief Executive and Finance Director about its proposals and has access to professional advice from independent remuneration consultants, New Bridge Street, to help it determine appropriate remuneration arrangements. Terms of reference for New Bridge Street, which provided no other services to the Company, are available from the Company Secretary on request. Their fees for the year to 31 March 2014 amounted to £46,167.

# ANNUAL REPORT ON REMUNERATION

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR TO 31 MARCH 2015

### EXECUTIVE DIRECTORS' BASIC ANNUAL SALARY AND BENEFITS-IN-KIND

The basic package of salary and benefits is designed to match the experience and responsibilities of each director and is reviewed annually to ensure that it is consistent and appropriate to their responsibilities and expectations. The Group does not provide any separate pension provision for executive directors and expects individuals to provide for their retirement through their basic salaries and incentive payments. Executive directors' current basic annual salaries, together with salaries for the prior year, are as follows:

| | At 1 April 2013 £ | Changes in year £ | At 1 April 2014 £ | Increases wef 1 July 2014 £ | At 1 July 2014 £ |
|---|---|---|---|---|---|
| Michael Slade | 500,000 | 15,000 | 515,000 | 10,300 | 525,300 |
| Tim Murphy | 250,000 | 25,000 | 275,000 | 5,500 | 280,500 |
| Gerald Kaye | 386,250 | 11,587 | 397,837 | 7,963 | 405,800 |
| Matthew Bonning-Snook | 309,000 | 66,000 | 375,000 | - | 375,000 |
| Jack Pitman | 309,000 | 9,270 | 318,270 | 6,380 | 324,650 |
| Duncan Walker | 250,000 | 25,000 | 275,000 | 43,270 | 318,270 |

In 2012, the Committee resolved that the basic salaries of executive directors should be reviewed annually and increased to reflect an appropriate level of salary inflation or greater to reflect increases in the scale, scope or responsibility of their roles or to allow recently appointed executives to move to market norms as their experience and contribution increase.

On 1 July 2013, increases in basic salaries of 10% were awarded to Tim Murphy and Duncan Walker to move their salaries towards market norms. On 1 January 2014, Matthew Bonning-Snook's salary was increased by 18% and from 1 July 2014 Duncan Walker's salary will be increased by 16%. These increases reflect their significantly increased contribution to the business and to bring their remuneration more in alignment with their fellow directors. Neither Matthew Bonning-Snook nor Duncan Walker will receive inflationary increases in July 2014. The Committee has determined that the remaining executive directors, Michael Slade, Tim Murphy, Gerald Kaye and Jack Pitman, will receive inflationary increases of 2% from 1 July 2014. Benefits-in-kind provided to executive directors comprise the provision of a company car or car allowance, private medical cover, permanent health insurance and life insurance.

### EXECUTIVE BONUS PLAN 2011

Michael Slade and Tim Murphy will continue to be eligible to participate in the Executive Bonus Plan 2011 (the "2011 Plan") for the year ending 31 March 2015 following shareholder approval in 2011 to operate it for a further five years. Therefore, the Committee may, at its discretion, award bonuses in respect of the year ending 31 March 2015 subject to performance conditions based on absolute net asset value, un-geared total property return and relative net asset value per share versus the IPD, the aim of which is to link the size of bonuses paid to the financial growth of the Group over that financial year.

The total amount payable under the 2011 Plan in any one year will continue to be limited to £2m. An individual employee's participation in the 2011 Plan is limited so that the bonus which may be paid to him under the 2011 Plan will not exceed £1.5m per annum. There is a further limit that payments under the 2011 Plan in any year may not exceed 20% of the Group's pre-tax profits plus any payments under the 2011 Plan. Among other constraints the Committee could restrict the bonuses if payment would affect the financial or trading position of the Group.

Following feedback received during the investor consultation in respect of the codification of the bonus arrangement set out below, the Committee agreed that future participants in this scheme who do not have a minimum shareholding in the Company of 200% of basic salary should receive up to one third of any bonus in deferred shares for three years.

The main features of the 2011 Plan and details of how it operated for the year ended 31 March 2014, which will be consistent with how it will operate for the year ending 31 March 2015, are set out on page 63.

### HELICAL BAR ANNUAL BONUS SCHEME 2012

Gerald Kaye, Matthew Bonning-Snook, Jack Pitman and Duncan Walker will continue to participate in the Helical Bar Annual Bonus Scheme 2012 which was approved by Shareholders at the 2012 AGM. Neither the Chief Executive nor the Finance Director participate in the Scheme given their participation in the 2011 Plan. This scheme provides annual cash bonuses based on the performance of the Group's property portfolio and is aligned with shareholders through a profit sharing model, with appropriate hurdles and shareholder protections (including deferral and clawback).

The distribution of the Bonus Award Pools to participants will continue to be restricted for 2014/15 to the lower of 70% of the balance of the Bonus Award Pool and 300% of salary. Any excess will be deferred and carried forward to the subsequent year to form part of the Bonus Award Pool for the subsequent year(s).

The main features of the 2012 Bonus Scheme and details of how it operated for the year ended 31 March 2014, which will be consistent with how it will operate for the year ending 31 March 2015, are set out on pages 63 to 64.

### PERFORMANCE SHARE PLAN

As a result of the Performance Share Plan 2004 ("2004 PSP"), the Company's primary long-term incentive arrangement, reaching the end of its ten year life, shareholder approval for a replacement plan, the Performance Share Plan 2014 ("2014 PSP"), will be sought at the forthcoming AGM. The main features of the 2014 PSP are as follows:

- Awards will normally vest no earlier than the third anniversary of their grant to the extent that the applicable performance conditions (see below) have been satisfied and the participant is still employed by the Group. Once exercisable, awards will remain capable of exercise for a period of normally no more than six months.
- No award may be granted to an individual in any financial year over shares worth more than three times salary.
- There are three performance conditions, one based on absolute growth in the Group's net asset value per share, one based on the gross (ungeared) total property return per share relative to other property funds as determined by IPD and one based on relative total shareholder return.
- Performance conditions for the awards to be granted in 2014 will, subject to shareholder approval, be measured over the three years following grant as follows:
  - For the growth in net asset value, the "fully diluted triple net" net asset value as at the start of the financial year in which a grant takes place will be compared to the value three years later (having added back dividends):

| Annual compound increase after three years | % of award vesting |
|---|---|
| 15% p.a. or more | 33.3 |
| Between 7.5% p.a. and 15% p.a. | Pro rata between 3.3 and 33.3 |
| 7.5% p.a. | 3.3 |
| Below 7.5% p.a. | Zero |

If UK inflation (RPI) is higher than 3% per annum over the three year period then the required compound increases will be raised by the excess over the 3% per annum average.

- For the total property return v IPD property funds condition:

| Ranking after three years | % of award vesting |
|---|---|
| Upper quartile or above | 33.3 |
| Between median and upper quartile | Pro rata between 3.3 and 33.3 |
| Median | 3.3 |
| Less than median | Zero |

- For the relative TSR condition:

| Ranking after three years | % of award vesting |
|---|---|
| Upper quartile or above | 33.3 |
| Between median and upper quartile | Pro rata between 3.3 and 33.3 |
| Median | 3.3 |
| Less than median | Zero |

The comparator group for the awards to be granted in 2014 will be the companies included in the FTSE 350 Super Sector Real Estate Index, excluding storage companies and agencies.

Share awards will lapse in full where:

- net value per share (having added back dividends) does not increase over the three year performance period; or
- the gross return falls below the IPD median, the growth in triple net asset value is below 7.5% per annum and relative TSR is below median over the three year period.

Further details of this new scheme can be found in the Notice of the Annual General Meeting.

## VESTING OF PSP AWARDS

Awards to executive directors which have vested in accordance with the terms of the 2004 PSP in the last five years are as follows:

| Year | Value £ |
|---|---|
| 2014 | 5,623,000 |
| 2013 | nil |
| 2012 | nil |
| 2011 | nil |
| 2010 | nil |

## NON-EXECUTIVE DIRECTORS' FEES

In 2012, the Board resolved that with effect from 1 July 2012, the fees payable to non-executive directors will comprise a basic £40,000 plus an additional £10,000 for the Chairman of the Audit and Remuneration Committees and the Senior Independent Director. On his appointment as Chairman, Nigel McNair Scott's annual fee was agreed at £150,000. In line with executive directors, the non-executive directors will receive an inflationary increase of 2% with effect from 1 July 2014.

Non-executive directors' current annual fees, together with fees for the prior year, are as follows:

| | 1 April 2013 £ | 1 April 2014 £ | 1 July 2014 £ |
|---|---|---|---|
| Nigel McNair Scott - Chairman | 150,000 | 150,000 | 153,000 |
| Richard Gillingwater - Senior Independent Director | 50,000 | 50,000 | 51,000 |
| Richard Grant - Chairman of the Audit Committee | 50,000 | 50,000 | 51,000 |
| Andrew Gulliford - Chairman of the Remuneration Committee | 50,000 | 50,000 | 51,000 |
| Michael O'Donnell | 40,000 | 40,000 | 40,800 |

## BALANCE OF FIXED VERSUS VARIABLE PAY

In line with its policy, the Committee seeks to ensure that the balance of remuneration provides a basic salary below the median, and performance related bonuses and share awards that reward outperformance of the Group's peer group. In the year to 31 March 2014, the balance of fixed versus variable pay on an actual basis for the executive directors compared to the maximum payable was as follows:

| | Actual £ | Share of total % | Maximum £ | Share of total % |
|---|---|---|---|---|
| Basic salaries and benefits-in-kind | 2,674,000 | 19 | 2,674,000 | 15 |
| Annual Bonus Scheme 2012 | 4,099,000 | 28 | 4,099,000 | 23 |
| Executive Bonus Plan 2011 | 2,000,000 | 14 | 2,000,000 | 11 |
| Performance Share Plan shares vested | 5,623,000 | 39 | 9,092,000 | 51 |
| | 14,396,000 | 100 | 17,865,000 | 100 |

Note: Performance Share Plan shares vested reflect the market value of shares that are expected to vest (actual) or could vest (maximum) in respect of the three year performance period to 31 March 2014 in accordance with the terms of the Group's Performance Share Plan.

## DIRECTORS' REMUNERATION (AUDITED INFORMATION)

Remuneration in respect of the directors was as follows:

| | | Basic salary/ fees £000 | Benefits £000 | Sub-total £000 | Annual cash bonus £000 | Deferred bonus shares £000 | Share awards £000 | Sub-total £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | |
| Michael Slade | **2013-14** | **511** | **45** | **556** | **1,500** | **-** | **1,287** | **2,787** | **3,343** |
| | 2012-13 | 500 | 50 | 550 | 973 | - | - | 973 | 1,523 |
| Tim Murphy | **2013-14** | **269** | **21** | **290** | **468** | **32**[3] | **515** | **1,015** | **1,305** |
| | 2012-13 | 171[2] | 14 | 185 | 33 | 16 | - | 49 | 234 |
| Gerald Kaye | **2013-14** | **395** | **48** | **443** | **796** | **398** | **965** | **2,159** | **2,602** |
| | 2012-13 | 383 | 39 | 422 | 440 | 220 | - | 660 | 1,082 |
| Matthew Bonning-Snook | **2013-14** | **330** | **49** | **379** | **750** | **375** | **772** | **1,897** | **2,276** |
| | 2012-13 | 307 | 21 | 328 | 440 | 220 | - | 660 | 988 |
| Jack Pitman | **2013-14** | **316** | **22** | **338** | **637** | **318** | **772** | **1,727** | **2,065** |
| | 2012-13 | 307 | 21 | 328 | 145 | 72 | - | 217 | 545 |
| Duncan Walker | **2013-14** | **269** | **17** | **286** | **550** | **275** | **450** | **1,275** | **1,561** |
| | 2012-13 | 250 | 17 | 267 | 145 | 72 | - | 217 | 484 |
| **Non-executive directors** | | | | | | | | | |
| Nigel McNair Scott | **2013-14** | **150** | **42** | **192** | **-** | **-** | **862** | **862** | **1,054** |
| | 2012-13 | 103[1] | - | 103 | - | - | - | - | 103 |
| Andrew Gulliford | **2013-14** | **50** | **-** | **50** | **-** | **-** | **-** | **-** | **50** |
| | 2012-13 | 50 | - | 50 | - | - | - | - | 50 |
| Richard Gillingwater | **2013-14** | **50** | **-** | **50** | **-** | **-** | **-** | **-** | **50** |
| | 2012-13 | 34[2] | - | 34 | - | - | - | - | 34 |
| Richard Grant | **2013-14** | **50** | **-** | **50** | **-** | **-** | **-** | **-** | **50** |
| | 2012-13 | 34[2] | - | 34 | - | - | - | - | 34 |
| Michael O'Donnell | **2013-14** | **40** | **-** | **40** | **-** | **-** | **-** | **-** | **40** |
| | 2012-13 | 39 | - | 39 | - | - | - | - | 39 |
| **Former directors** | | | | | | | | | |
| Giles Weaver | 2012-13 | 28 | - | 28 | - | - | - | - | 28 |
| Nigel McNair Scott | 2012-13 | 74[1] | 40 | 114 | 275 | - | - | 275 | 389 |
| Anthony Beevor | 2012-13 | 16 | - | 16 | - | - | - | - | 16 |
| Wilf Weeks | 2012-13 | 11 | - | 11 | - | - | - | - | 11 |
| **Total** | **2013-14** | **2,430** | **244** | **2,674** | **4,701** | **1,398** | **5,623** | **11,722** | **14,396** |
| | 2012-13 | 2,307 | 202 | 2,509 | 2,451 | 600 | - | 3,051 | 5,560 |

1 Executive Director until 24 July 2012; Non Executive Chairman since that date
2 Pro-rated figure - appointed as a director on 24 July 2012
3 Deferral of bonus into shares to meet 200% shareholding guideline based on 31 March 2014 share price of 373.75p

## AUDITED INFORMATION

## EXECUTIVE BONUS PLAN 2011

In 2011, shareholders approved the renewal of the Executive Bonus Plan (the "2011 Plan") for a further five years. Michael Slade and Tim Murphy were eligible for 2011 Plan bonuses during the year. Total 2011 Plan bonuses for the year to 31 March 2014 of £2,000,000 (2013: £1,297,000) have been accrued in the financial statements for the year to 31 March 2014 and are payable in June 2014.

The performance conditions which applied for the year ended 31 March 2014 were as follows:

- Increase in net asset value: net asset value at the end of the financial year exceeds net asset value at the beginning of the financial year;
- Absolute performance of the portfolio - un-geared total return: the percentage increase in the total return on property assets of the Group over the financial year (the "Performance Period") is 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
- Performance of the net asset value per share: the percentage increase in net asset value per share for the Performance Period must be 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").

The total amount of bonus payable in the year ended 31 March 2014 was 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 the Difference on the following basis:

| Amount of difference | % 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 |
| For example: From 4% to less than 5% | 0.05 |

If the net asset value at the end of a financial year is less than the net asset value at the beginning of that year, the bonus payable for any subsequent year will be calculated by reference to the highest net asset value in the preceding year.

In the year to 31 March 2014, the application of the bonus calculation to the results of the Group resulted in a potential total bonus payment of £4,486,000. This was reduced to the maximum amount payable of £2,000,000. Bonuses paid under the terms of this 2011 Plan in the last five years are as follows:

| Year | Amount Paid £ |
|---|---|
| 2014 | 2,000,000 |
| 2013 | 1,297,000 |
| 2012 | nil |
| 2011 | nil |
| 2010 | nil |

## HELICAL BAR ANNUAL BONUS SCHEME 2012

The Helical Bar Annual Bonus Scheme 2012 was approved by shareholders at the 2012 AGM. This scheme provides annual cash bonuses based on the performance of the Group's property portfolio and is aligned with shareholders through a profit sharing model, with appropriate hurdles and shareholder protections (including deferral and clawback). Total 2012 Bonus Scheme Bonuses have been accrued in the financial statements for the year to 31 March 2014 and the cash element will be payable in June 2014.

The main features of the 2012 Bonus Scheme as applied to the year to 31 March 2014 are as follows:

- The scheme participants were Gerald Kaye, Matthew Bonning-Snook, Jack Pitman and Duncan Walker. Neither the Chief Executive nor the Finance Director participate in the Scheme given their participation in the 2011 Plan;
- All property assets held during the year were allocated to one of two pools namely the "Investment Pool" or the "Development Pool" ("Profit Pools");
- Investment assets are included at valuation as at 31 March 2013 with subsequent valuation movements increasing or decreasing the size of the relevant Profit Pool. Development assets were also included at valuation as at 31 March 2013 with subsequent valuation movements increasing or decreasing the size of the Profit Pool. Any opening surpluses or deficits in the value of the trading and development assets as at the introduction of the scheme on 1 April 2012 were only included in the Profit Pools if they were realised;
- Development profits, development management fees, net rents, other income and profits/losses on the sale of property assets were allocated to the relevant Profit Pools; and
- Profits in the two Profit Pools were eligible for the award of bonuses once they were sufficient to exceed the recovery of all related finance costs, a charge for the use of the Company's equity at a rate equivalent to the Company's weighted average cost of debt plus a margin (reviewed regularly to reflect any changes in the cost of debt and the risk profile of the Company's activities), the Group's total administrative costs (excluding performance related remuneration) and any unallocated losses from the previous three financial years.

**Shareholder Protections**

- No more than 10% of profits are available to participants for distribution ("Bonus Award Pool") at the end of the relevant financial year. Pool allocations between participants are based on a set formula agreed at the start of the financial year;
- The distribution of the Bonus Award Pools to participants are restricted in any financial year to the lower of 70% of the balance of the Bonus Award Pool and 300% of salary (except in years five and ten as noted below). Any excess is deferred and carried forward to the subsequent year to form part of the Bonus Award Pool for the subsequent year(s);
- Two thirds of any payment is made in cash after the relevant financial year end and one third is deferred for three years into Helical Bar plc shares;
- In addition to any annual payments, at the end of the fifth and tenth years of operating the scheme, any Bonus Award Pool not paid out will be distributed to participants in the form of deferred shares for three years, subject to an additional individual limit of 300% of salary each time;
- No payments will be made where the Company has not generated a profit (amounts will be deferred until a profit is generated). In addition, the Remuneration Committee will retain discretion to increase the deferred share amount (up to 100% of the payment) or not to make a payment at all (with any amounts reverting back to the Company rather than remaining in the Bonus Award Pool) where it is considered appropriate to do so;
- Net losses will be carried forward in Profit Pools for offset against future net profits. Carry forward of losses will be for a minimum of three years, subject to extension at the request of the Remuneration Committee;

## AUDITED INFORMATION

- The scheme will operate a clawback provision whereby amounts deferred, amounts held in Bonus Award Pools or the net of tax amounts paid may be recovered in the event of a misstatement of results, an error being made in assessing the calculation of Bonus Award Pools or in the event of gross misconduct; and
- The share of any increase in value of the Company (measured as the increase in net asset value plus cash returned as dividends) that could accrue to all executives through the Group's long and short-term incentive and bonus plans at maximum vesting/payouts during the lifetime of the plans will continue to be no more than 20%.

**Bonus Scheme Pools - Year to 31 March 2014**

The amount transferred to the Bonus Pool based on the results of the Group for the year to 31 March 2014 and its allocation to cash and deferred share awards is as follows:

| | 2014<br>£ | 2013<br>£ |
|---|---|---|
| Amount transferred to Bonus Pool based on the results for the year | 10,641,000 | 2,507,000 |
| Bonus Pool brought forward | 752,000 | - |
| Bonus Pool available for distribution | 11,393,000 | 2,507,000 |
| Amount paid as cash bonuses | 2,732,000 | 1,170,000 |
| Amount paid as deferred shares | 1,366,000 | 585,000 |
| Bonus Pool carried forward | 7,295,000 | 752,000 |
| | 11,393,000 | 2,507,000 |

**Other matters**

- Shareholder approval for the Plan was obtained for ten years from 1 April 2012, although the Remuneration Committee will review the operation of the Plan after five years;
- Awards may be satisfied through shares purchased in the market or by new issue or treasury shares. Where new issue or treasury shares are used, the ABI's 5% in ten year dilution limit will apply; and
- On a change of control of the Company, any amounts accrued over the financial year up to the relevant date, and any amounts held within the Bonus Award Pools, and any deferred shares would be distributed.

## 2004 PSP AWARDS VESTING IN 2014

The 2004 PSP award, granted on 5 July 2011, will vest on 7 July 2014. The expected vesting percentage is as follows:

| Metric | Performance Condition | Threshold Target | Stretch Target | Actual | % Vesting |
|---|---|---|---|---|---|
| NAV<br>(fully diluted triple net) | Total property return v IPD property<br>10% of this part of an award vests for compound NAV growth of 7.5% p.a. increasing pro-rata to 100% of this part of an award vesting for compound NAV growth of 15% p.a. | 7.5% | 15% | 10.33% | 28.51% |
| TPR | Total property return v IPD property<br>10% of this part of an award vests for median ranking increasing pro-rata to 100% of this part of an award vesting for upper quartile or above performance | Median 7.2% | Upper quartile 8.3% | 12.9% | 33.33% |
| Total | | | | | 61.84% |

Based on the above and given that net value per share (having added back dividends) increased over the three year performance period, details of the shares under award and the expected value at vesting is as follows:

| Executive directors | Number of shares at grant | Number of shares expected to lapse | Number of shares expected to vest | Estimated value at vesting[1] (£'000) |
|---|---|---|---|---|
| Michael Slade | 578,592 | 220,791 | 357,801 | 1,287 |
| Tim Murphy | 231,436 | 88,316 | 143,120 | 515 |
| Gerald Kaye | 433,944 | 165,594 | 268,350 | 965 |
| Matthew Bonning-Snook | 347,155 | 132,475 | 214,680 | 772 |
| Jack Pitman | 347,155 | 132,475 | 214,680 | 772 |
| Duncan Walker | 202,507 | 77,277 | 125,230 | 450 |
| Non-executive director (NB Awards were origionally granted when Nigel McNair Scott was an executive director) | | | | |
| Nigel McNair Scott | 387,656 | 147,930 | 239,726 | 862 |

1. The share price used to calculated the expected value at vesting was 359.60p, based on the average share price over the three months to 31 March 2014.

## AUDITED INFORMATION

The 2004 PSP numbers presented for the comparatives in the remuneration table above are based on the 2004 PSP awards granted on 13 July 2010 which lapsed in full as a result of performance targets not being met. The three year performance period to 31 March 2013 showed that the net asset value per share, calculated in accordance with the terms of the 2004 PSP, had increased by 1.6% p.a. During this three year period the total return of Helical's property portfolio, as determined by IPD, was 5.6% compared to the median of the IPD Benchmark which showed a return of 6.2%. Therefore, no shares could vest as the performance of the property portfolio was below that of the IPD median benchmark.

## 2004 PSP AWARDS GRANTED IN THE YEAR*

The following awards under the terms of the 2004 PSP were made in the year:

| Individual | Date of Grant | Basis of Award | Face Value £000 | Vesting at threshold | Vesting at Maximum | Performance Period |
|---|---|---|---|---|---|---|
| Michael Slade | 24 June 2013 | 300% of salary | 1,500 | 10% | 100% | 3 years to 31 March 2016 |
| Tim Murphy | 24 June 2013 | 300% of salary | 750 | 10% | 100% | 3 years to 31 March 2016 |
| Gerald Kaye | 24 June 2013 | 300% of salary | 1,159 | 10% | 100% | 3 years to 31 March 2016 |
| Matthew Bonning-Snook | 24 June 2013 | 300% of salary | 927 | 10% | 100% | 3 years to 31 March 2016 |
| Jack Pitman | 24 June 2013 | 300% of salary | 927 | 10% | 100% | 3 years to 31 March 2016 |
| Duncan Walker | 24 June 2013 | 300% of salary | 750 | 10% | 100% | 3 years to 31 March 2016 |

* structured as conditional awards

The total number of awards made to directors under the terms of the 2004 PSP which have not yet vested are as follows:

| Director | Shares awarded 5.7.11 at 259.25p | Shares awarded 31.5.12 at 167.50p | Shares awarded 24.06.13 at 243.75p | Total shares awarded |
|---|---|---|---|---|
| Michael Slade | 578,592 | 895,522 | 615,384 | 2,089,498 |
| Tim Murphy | 231,436 | 376,119 | 307,692 | 915,247 |
| Gerald Kaye | 433,944 | 671,641 | 475,384 | 1,580,969 |
| Matthew Bonning-Snook | 347,155 | 537,313 | 380,307 | 1,264,775 |
| Jack Pitman | 347,155 | 537,313 | 380,307 | 1,264,775 |
| Duncan Walker | 202,507 | 447,761 | 307,692 | 957,960 |
| Nigel McNair Scott | 387,656 | 420,895 | - | 808,551 |

It is currently expected that 62% of the shares awarded on 5 July 2011, 85% of the shares awarded on 31 May 2012 and 94% of the shares awarded on 24 June 2013 will vest.

## HELICAL BAR 2002 APPROVED SHARE INCENTIVE PLAN

Under the terms of this Plan employees of the Group have previously been given up to £3,000 of free shares in any tax year. Participants in the Plan have been able to purchase additional shares up to a value of £1,500 which are matched in a ratio of 2:1 by the Group. Provided participants remain employed by the Group for a minimum of three years they will retain the free and matching shares. In line with changes to the legislation governing such schemes the Committee has agreed to increase future annual awards of free shares to £3,600 and to allow participants to purchase additional shares up to a value of £1,800, to be matched in a ratio of 2:1 by the Company.

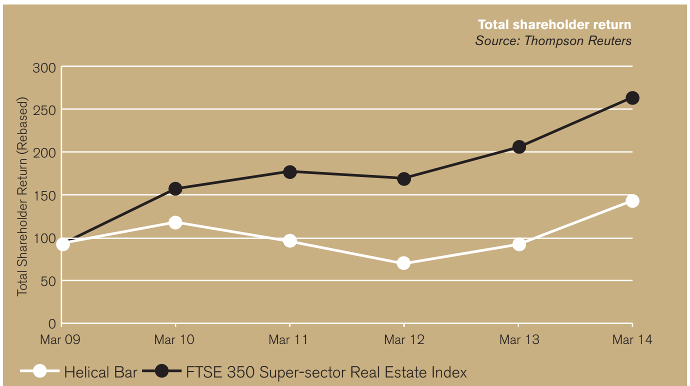
Shares allocated to, or purchased on behalf of, the directors under the rules of the Plan were as follows:

| | 18 June 2013 £ | 7 January 2014 £ |
|---|---|---|
| Michael Slade | 2,255 | 1,434 |
| Tim Murphy | 2,256 | 1,434 |
| Gerald Kaye | 2,255 | 1,433 |
| Matthew Bonning-Snook | 2,252 | 1,426 |
| Jack Pitman | 2,256 | 1,434 |
| Duncan Walker | 2,138 | 1,136 |

Shares held by the Trustees of the Plan at 31 March 2014 were 443,588 (2013: 474,624).

## TOTAL SHAREHOLDER RETURN

The total shareholder return for a holding in the Group's shares in the five years to 31 March 2014 compared to a holding in the FTSE 350 Super-sector Real Estate Index is shown below. This index has been chosen because it includes the majority of listed real estate companies.




This graph shows the value, by 31 March 2014, of £100 invested in Helical Bar on 31 March 2009, compared with the value of £100 invested in the FTSE 350 Supersector Real Estate Index.

### Remuneration of the Chief Executive

The table below presents single figure remuneration for the Chief Executive over the past five years, together with past annual bonus payouts and relevant 2004 PSP and Share Option vestings.

| Year ended | Name | Total Remuneration £000 | Annual Bonus £000 (% of max payout) | 2004 PSP £000 (% of max vesting) |
|---|---|---|---|---|
| 31 March 2014 | Michael Slade | 3,343 | 1,500 (100%) | 1,287 (62%) |
| 31 March 2013 | Michael Slade | 1,523 | 973 (65%) | - (-%) |
| 31 March 2012 | Michael Slade | 541 | - (-%) | - (-%) |
| 31 March 2011 | Michael Slade | 538 | - (-%) | - (-%) |
| 31 March 2010 | Michael Slade | 527 | - (-%) | - (-%) |

| **Percentage increases in Chief Executive remuneration** | 2013 £000's | 2014 £000's | Changes % |
|---|---|---|---|
| **Chief Executive** | | | |
| Salary | 500 | 511 | 2 |
| Benefits | 50 | 45 | (10) |
| Bonus | 973 | 1,500 | 54 |
| **Average employee** | | | |
| Salary | 63 | 66 | 5 |
| Benefits | 3 | 3 | - |
| Bonuses | 13 | 25 | 92 |

| **Relative importance of the spend on pay** | 2013 £000's | 2014 £000's | Changes % |
|---|---|---|---|
| Staff costs | 10,163 | 17,424 | 71.4 |
| Distributions to shareholders | 6,134 | 6,660 | 8.6 |
| Net asset value of the Group | 253,768 | 340,527 | 34.2 |

## AUDITED INFORMATION

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

| | Legally owned 31.3.13 | Legally owned 31.3.14 | PSP awards unvested | Deferred shares | All-employee restricted | All-employee Unrestricted | Total 31.3.14 | % of salary held under shareholding guideline (200% of salary) % |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Michael Slade | 12,999,738 | 12,849,738 | 2,089,498 | - | 17,714 | 18,595 | 12,886,047 | >200 |
| Tim Murphy | 95,520 | 95,520 | 915,247 | 6,731 | 17,715 | 18,595 | 138,561 | <200 |
| Gerald Kaye | 1,502,871 | 1,252,871 | 1,580,969 | 90,282 | 17,712 | 18,557 | 1,379,422 | >200 |
| Matthew Bonning-Snook | 252,929 | 162,929 | 1,264,775 | 90,282 | 17,673 | 18,189 | 289,073 | >200 |
| Jack Pitman | 407,707 | 132,707 | 1,264,775 | 29,738 | 17,715 | 18,595 | 198,755 | >200 |
| Duncan Walker | - | - | 957,960 | 29,738 | 16,131 | 3,074 | 48,943 | <200 |
| **Non-Executive Directors** | | | | | | | | |
| Nigel McNair Scott | 2,691,375 | 2,722,556 | 808,551 | - | - | - | 2,722,556 | - |
| Andrew Gulliford | 14,328 | 14,328 | - | - | - | - | 14,328 | - |
| Richard Gillingwater | - | 11,500 | - | - | - | - | 11,500 | - |
| Richard Grant | 15,000 | 15,000 | - | - | - | - | 15,000 | - |
| Michael O'Donnell | 62,000 | 62,000 | - | - | - | - | 62,000 | - |

There have been no changes in the interests of any Director between 31 March 2014 and the date of this report.

**Shareholder voting at the last AGM**
At the 2013 AGM the Directors' Remuneration Report received the following votes from shareholders:

| | Total number of votes | % of votes cast |
|---|---|---|
| For | 86,151,196 | 91% |
| Against | 8,165,120 | 9% |
| **Total votes cast (for and against)** | **94,316,316** | **100%** |
| Votes withheld | 880,621 | - |
| **Total votes cast (including withheld votes)** | **95,196,937** | **-** |

## SHARE OPTIONS

The Helical Bar 2010 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 PRICE

The market price of the ordinary shares at 31 March 2014 was 373.75p (2013: 236.75p). This market price varied between 234.76p and 383.50p during the year.

**Andrew Gulliford**
Chairman of the Remuneration Committee

19 June 2014

# REPORT OF THE AUDIT COMMITTEE

## THE AUDIT COMMITTEE

The Audit Committee is chaired by Richard Grant and the other members of the Committee are Richard Gillingwater, Andrew Gulliford and Michael O'Donnell. Further details of these directors may be found on page 50. None of the Committee members have any personal or financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business.

The Committee endorses the principles set out in the FRC Guidance on Audit Committees. The Board has formal and transparent arrangements for considering how it applies the Group's financial reporting and internal control principles and for maintaining an appropriate relationship with its auditors. Whilst all directors have a duty to act in the interests of the Group the Committee has a particular role, acting independently from the executive, to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control. Appointments to the Committee are made by the Board on the recommendation of the Nominations Committee in consultation with the Audit Committee Chairman.

The terms of reference of the Audit Committee, which were reviewed and updated during the year, are available by request and are included on the Group's website at www.helical.co.uk.

The business model and strategy of the Group are discussed in the Strategic Report on pages 20 to 47.

## THE WORK OF THE AUDIT COMMITTEE IN THE YEAR

The Committee met three times during the year and a record of attendance at these meetings is shown on page 52. It is common practice at Helical for Audit Committee meetings to be attended by all Board members who are available, whether or not they are members of the Committee so that their contribution to the matters discussed may be obtained.

In conjunction with the Board, the Audit Committee reviewed the following matters during the year:

- Review of risk and internal controls;
- Recommendation to the Board for the payment of dividends;
- The financial statements of the Group and the announcement of the annual results to 31 March 2013 and the interim statement on the half year results to 30 September 2013;
- The re-appointment of the Group's external auditor; and
- The external auditors' independence and the provision of non-audit services by the external auditor.

The Audit Committee met the external auditor on two occasions to discuss matters arising from the annual and interim audits.

Other matters formally reviewed and discussed by the Committee during the year included:

- The Group's compliance with the Bribery Act 2010 and a review of its anti-bribery policy and procedures;
- Review of the Group's whistleblowing policy, noting that no issues had been raised under these procedures by any member of staff during the year under review;
- Review of the Group's policies on equal opportunities and diversity;
- Review of the Group's share dealing policy;
- Review of the Group's signing authority policy;
- Review of the Group's charitable donations policy;
- Review of the Group's environmental management systems;
- Review of the Group's need for an internal audit function;
- Review of IT risk and business continuity planning; and
- Review of the Group's Health and Safety policy.

The audit issues considered by the Audit Committee during the year include the following:

- A discussion of the accounting treatment of complex transactions, including both investment and development properties, and the reasonableness of the Annual Bonus Scheme calculations. In order to address these issues, the Audit Committee requested that the external auditor assess whether complex transactions have been accounted for appropriately and report back to the Committee and that the external auditor meet with the Chair of the Remuneration Committee to talk through the Annual Bonus Scheme calculations once the calculation had been reviewed in light of the approved scheme rules. This was carried out satisfactorily.
- The Audit Committee also discussed the significant accounting judgements and estimates as noted in Note 36 of the financial statements. This involved the circulation of the paper prepared by Management and a discussion amongst the Committee of any issues that required clarification, also consulting with the external auditor for their opinion. The Committee concluded that the judgements and estimates made by management were reasonable, based on the information available and in line with the Group's accounting policies.
- The Committee reviewed the investment property valuations as provided by the external valuer and discussed the reasonableness of the director's stock surplus. The former utilises market knowledge of one of the Non-Executive directors who reviews the external valuations for reasonableness based on this knowledge. The latter is based on discussions with the Executive directors and a review of the stock surplus by the external valuer. The Audit Committee considers the property valuations to be reasonable.
- The Audit Committee discussed the key sales and purchases during the year with the external auditor in order to assess key transactions that feature in the financial statements. The external auditor reported to the Committee in their management report and the highlights were discussed both at the half year and full year.

## EFFECTIVENESS OF THE EXTERNAL AUDITOR

During the year, the Audit Committee reviewed Grant Thornton UK LLP's fees, effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The Audit Committee also considered its robustness and the degree to which Grant Thornton UK LLP was able to assess key accounting and audit judgements and the content of the management report issued by the external auditor. This was performed through meeting with the external auditor and discussing the issues they had addressed. The Audit Committee concluded that both the audit and the audit process were effective.

## AUDIT INDEPENDENCE

A policy of reviewing audit independence has been adopted whereby non-audit services undertaken by the auditor are approved prior to work being carried out. The Audit Committee considers the external auditor to be independent and has satisfied itself of the effectiveness of the external auditor.

The Group's policy on awarding non-audit work to its auditor is designed to ensure that the Group receives the most appropriate advice without compromising the independence of the auditor. Whilst no fee caps or limits have been set by the Committee, the level of fees would be a factor in considering whether the auditor's independence could be affected by the award of non-audit work. In the year to 31 March 2014, certain fees (as shown in note 7 on page 83) were paid to the auditors for non-audit work.

## ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 25 July 2014 the following resolutions relating to the auditor are being proposed:

- The re-appointment of Grant Thornton UK LLP as Independent Auditor; and
- To authorise the Directors to set the remuneration of the Independent Auditor.

I hope that shareholders will support the Committee and vote in favour of these resolutions.

**Richard Grant**
Chairman of the Audit Committee

19 June 2014

## STRATEGIC REPORT

A review of the Company's business during the year, the principal risks and uncertainties facing the Group and future prospects and developments are included in the Chairman's statement on page 15, the Chief Executive's statement on page 16, the strategic report on pages 20 to 47 and the Principal Risks report on pages 42 to 44, which should be read in conjunction with this report.

## DIRECTORS' INTERESTS

The directors who held office during the year and up to the date of this report are listed below:

## RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated income statement on page 76 and consolidated statement of comprehensive income on page 76. An interim dividend of 2.00p (2013: 1.85p) was paid on 27 December 2013 to shareholders on the shareholder register on 6 December 2013. A final dividend of 4.75p (2013: 3.70p) per share is recommended for approval at the Annual General Meeting ("AGM") to be held on 25 July 2014. The total ordinary dividend paid in the year of 5.70p (2013: 5.25p) per share amounts to £6,660,000 (2013: £6,134,000).

| | Age | Date of appointment | Title |
|---|---|---|---|
| **Chairman** | | | |
| Nigel McNair Scott | 68 | December 1985 | Chairman |
| **Executive directors** | | | |
| Michael Slade | 67 | August 1984 | Chief Executive |
| Tim Murphy | 54 | July 2012 | Finance director |
| Gerald Kaye | 56 | September 1994 | Executive director |
| Matthew Bonning-Snook | 46 | August 2007 | Executive director |
| Jack Pitman | 45 | August 2007 | Executive director |
| Duncan Walker | 35 | June 2011 | Executive director |
| **Non-executive directors** | | | |
| Richard Gillingwater | 57 | July 2012 | Non-executive director |
| Richard Grant | 60 | July 2012 | Non-executive director |
| Andrew Gulliford | 67 | March 2006 | Non-executive director |
| Michael O'Donnell | 47 | June 2011 | Non-executive director |

Details of the directors' interests in the ordinary shares of the Company are shown on page 67.

Biographical details of all directors are shown on page 50. All the directors currently serving will offer themselves for re-election at the AGM to be held on 25 July 2014. Details of directors' remuneration and their interests in share awards are set out in the Directors' Remuneration Report on pages 55 to 67.

## CORPORATE GOVERNANCE

The Group's corporate governance policies, compliance with the UK Corporate Governance Code and Going Concern statement are set out on pages 51 to 53.

## DIRECTORS' CONFLICT OF INTEREST

Under the Companies Act 2006 (the "Act"), Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. As is permissible under the Act, the Company's Articles of Association allow the Board to consider, and if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors are required to notify the Company of any conflict or potential conflict of interest and the Board confirms that no such conflicts have been notified to the Company during the year under review.

## DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company maintains Directors and Officers Liability Insurance. To the extent permitted by UK Law, the Company also indemnifies the directors against claims made against them as a consequence of the execution of their duties as directors of the Company.

## CHARITABLE AND POLITICAL DONATIONS

The Company continues to support charitable causes and in the year to 31 March 2014, made charitable donations of £17,400. Further details are provided in the Corporate Responsibility Report on pages 45 to 47. The Company's policy with regard to political donations is to ensure that shareholder approval is sought before making any such payments. No shareholder approval has been sought and, accordingly, the Company made no political donations in the year to 31 March 2014.

## FINANCIAL INSTRUMENTS

The information required in respect of financial instruments, as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is shown in note 35 on pages 98 to 101.

## CHANGE OF CONTROL

Certain agreements between the Company or its subsidiaries and entities including lending banks, joint venture partners and development partners contain termination rights to take effect in the event of a change of control of the Group. Given the commercial sensitivity of these agreements, the directors do not intend to disclose specific details.

The Company's Employee Share Incentive Plan contains provisions relating to the vesting and exercise of options in the event of a change of control of the Company.

Further to the issue on 24 June 2013 of £80 million 6.00% bonds due in 2020 (the "Bonds"), upon a change of control event as defined by the terms and conditions of the Bonds, the bondholders will have the option to require the Company to redeem or, at the Company's option, purchase the Bonds at their nominal amount together with accrued interest.

There are no agreements between the Company and Directors or employees providing for the compensation for loss of office of employment as a result of a takeover bid.

## EMPLOYMENT AND ENVIRONMENTAL MATTERS

Information in respect of the Group's employment and environmental matters and greenhouse gas reporting is contained in the Corporate Responsibility Report on pages 45 to 47.

## POST BALANCE SHEET EVENTS

Information relating to post balance sheet events can be found in note 36 to the Financial Statements on page 101.

## GROUP STRUCTURE

Details of the Group's principal subsidiary undertakings are disclosed in note 18 to the Financial Statements on pages 88 to 89.

## SHARE CAPITAL

Details of the Company's issued share capital are shown in note 27 to the Financial Statements on page 95. The Company's share capital consists of both ordinary shares and deferred shares. Each class of shares rank pari passu between themselves. There are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example: insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares. On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2014 Annual General Meeting (AGM) specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

## PURCHASE OF OWN SHARES

The Company was granted authority at the 2013 Annual General Meeting to make market purchases of its own ordinary shares. No ordinary shares were purchased under this authority during the year and up to the date of this report. The authority will expire at the conclusion of the 2014 AGM, at which a resolution will be proposed to renew this authority.

## SUBSTANTIAL SHAREHOLDINGS

As at 30 May 2014, the shareholders listed below had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Group:

| | Number of ordinary shares at 30 May 2014 | % |
|---|---|---|
| Aberdeen Group | 14,478,848 | 12.26 |
| Michael Slade | 12,886,047 | 10.91 |
| Baillie Gifford & Co. | 8,399,901 | 7.11 |
| JP Morgan Chase & Co | 7,328,625 | 6.20 |
| Investec Group | 5,626,517 | 4.76 |
| Black Rock Inc. | 4,926,869 | 4.17 |
| Old Mutual | 4,536,120 | 3.84 |
| Dimensional Fund Advisors | 4,288,853 | 3.63 |

## AMENDMENT OF ARTICLES OF ASSOCIATION

The Company's Articles of Association can be amended only by a special resolution of the members, requiring a majority of not less than 75% of such members voting in person or by proxy.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 25 July 2014 at 11.30 a.m. at The Connaught, Carlos Place, Mayfair, London W1K 2AL. The special business at the 2014 AGM will include resolutions dealing with the authority to issue shares, the disapplication of pre-emption rights, the authority for the Company to purchase its own shares, the authority to call general meetings on not less than 14 clear days' notice and the approval of the 2014 PSP. The notice of meeting, containing explanations of all the resolutions to be proposed at that meeting, is enclosed with this Annual Report and can be found on the Group's website at www.helical.co.uk.

## AUDITORS

The Group's auditors, Grant Thornton UK LLP, have expressed their willingness to continue in office and resolutions to reappoint them and to authorise the directors to determine their remuneration will be proposed at the AGM.

## DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's auditors are aware of that information.

By order of the Board

**Heather Williams FCIS**
Company Secretary

19 June 2014

# STATEMENT OF DIRECTORS' RESPONSIBILITIES



The directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

The directors consider that the annual report and the financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these 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 IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and Remuneration Report comply with the Companies Act 2006 and article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole; and,
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

**Michael Slade**
Chief Executive

**Tim Murphy**
Finance Director

19 June 2014

# REPORT OF INDEPENDENT AUDITOR

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HELICAL BAR PLC

We have audited the financial statements of Helical Bar plc ("the Group") for the year ended 31 March 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

## AUDITOR COMMENTARY

**An overview of the scope of our audit**

The Group is organised into two segments: investment and trading properties, and development properties. The Group financial statements are a consolidation of their reporting units which consist of its subsidiary undertakings and nine joint venture arrangements (significant subsidiary undertakings are listed in note 18 and joint ventures in note 19 of the financial statements) comprising the Group's operating businesses within these segments.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed on the operating businesses by us, as the Group engagement team, or component auditors operating under our instruction. Our audit approach included a full audit of the financial statements of the parent company, Helical Bar plc, and the financial information of its subsidiary undertakings incorporated in the United Kingdom and Channel Islands and seven of the joint venture arrangements, due to the size or risk characteristics of those entities. In addition, specific audit procedures were performed on certain balances and transactions of the Group's subsidiary undertakings in Poland and two of the joint venture arrangements, based on our assessment of the risk of material misstatement of the Group financial statements. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those operating businesses to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The subsidiary undertakings and joint venture arrangements subject to a full scope audit represent 96% of the Group's net assets at the balance sheet date, 98% of the Group's revenue for the year and 94% of the Group's profit before tax for the year.

We evaluated controls over key financial systems identified as part of our risk assessment, reviewed the accounts production and consolidation processes and addressed critical accounting matters. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

**Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. For the group audit, we established materiality for the financial statements as a whole to be £3,405,000, which is 1% of net assets. Net asset value and similar measures are used by investors and analysts to assess the performance of the Group and we therefore consider net assets to be most appropriate measure on which to base our materiality. For the financial information of the individual subsidiary undertakings and the joint venture arrangements, we set our materiality based on a proportion of group materiality appropriate to the relative scale of each of the operating businesses.

We determined the threshold at which we would communicate misstatements to the Audit Committee to be £157,300. In addition, we communicated misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

**Our assessment of risk**
Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

**Recognition of revenue**
The Group enters into development contracts under which the recognition of revenue often involves management judgement in applying IFRIC 15 or is determined by complex criteria, such as staged recognition of revenue upon completion of specified contractual obligations. In addition, auditing standards prescribe a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition. We have therefore identified revenue recognition as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, an evaluation of the Group's revenue recognition policies and their application to key development contracts, agreeing property sales proceeds to completion statements and bank receipts, and analytically reviewing rental income.

The revenue recognition policy of the Group is set out on page 102. Rental income is disclosed in note 3 and development property income in note 4 to the financial statements.

**Valuation of investment property**
The Group holds investment property for long-term rental income and capital appreciation which is required to be revalued annually to fair value in accordance with IAS 40 'Investment Property'. The fair values of significant investment properties are determined by professionally qualified external valuers. These valuations involve a number of estimates and assumptions, some of which derive from information provided by management and can be highly judgemental. We therefore identified the valuation of investment properties as an area requiring particular audit attention.

Our audit work included, but was not restricted to, obtaining an understanding of the approach to, and controls over, the valuation of investment property; discussing and challenging the estimates, assumptions and valuation methodology with the external valuer; considering the accuracy of prior period valuations in the context of subsequent sales; and assessing the appropriate accounting treatment of complex transactions. We have assessed the independence and credentials of the external valuer and evaluated the adequacy of the valuer's work in respect of our audit.

The Group's accounting policy on investment properties is set out in note 37 and the disclosures in respect of investment properties are included in note 15.

**Employee remuneration – bonus and performance share plan**
The Group operates three directors' remuneration bonus and performance share plans being the Executive Bonus Plan 2011, the Helical Bar Annual Bonus Scheme 2012 and the Performance Share Plan. Determining the charge in respect of each scheme involves complex calculations and elements of management judgement and we have therefore identified this as an area requiring particular audit attention.

Our audit work included, but was not restricted to, confirming that the calculation methodology accords with the scheme rules, that management judgements are reasonable and that matters requiring the approval of the Remuneration Committee have been approved. Our work focused on obtaining supporting documentation and challenging management's assumptions related to the judgements for the surplus of the development stock above cost and assessing the forecasted net asset value growth of the Group over the three year vesting period of the Performance Share Plan options and future bonus cap based on our knowledge of the Group.

Details of bonuses and Performance Share Plan charges in respect of the directors are shown in Note 8 to the financial statements.

**Management override of controls**
Under ISAs (UK & Ireland), we are required to consider the risk of management override of financial controls and, due to the unpredictable nature of this risk, we are required to assess it as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240 'The Auditors Responsibilities relating to Fraud in an Audit of Financial Statements'. This included tests of journal entries, the evaluation of judgements and assumptions in management's estimates and tests of significant transactions outside the normal course of business.

In particular, our work on revenue recognition, the valuation of investment properties and bonus and performance share plans address key aspects of ISA 240.

## OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## OTHER REPORTING RESPONSIBILITIES

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 51 to 53 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

*Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:*

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed.

*Under the Companies Act 2006 we are required to report to you if, in our opinion:*

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit ; or
- a Corporate Governance Statement has not been prepared by the company.

*Under the Listing Rules, we are required to review:*

- the directors' statement, set out on page 53, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

**Charles Hutton-Potts**

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

19 June 2014

DEVELOPMENT

## CREECHURCH PLACE
LONDON EC1

**273,000** SQ FT

CONSTRUCTION COMMENCED ON 273,000 SQ FT OFFICE DEVELOPMENT

COMPLETION DUE SEPTEMBER 2016




# FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2014

| | Note | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|---|
| **Revenue** | 2 | **123,637** | 65,439 |
| Net rental income | 3 | **24,402** | 19,578 |
| Development property profit | 4 | **62,825** | 6,956 |
| Trading property gain/(loss) | 5 | **252** | (1) |
| Share of results of joint ventures | 19 | **16,448** | 3,854 |
| Other operating income/(expense) | | **230** | (547) |
| **Gross profit before net gain on sale and revaluation of investment properties** | | **104,157** | 29,840 |
| Net gain on sale and revaluation of investment properties | 6 | **29,325** | 1,335 |
| Impairment of available for sale assets | 21 | **(88)** | - |
| **Gross profit** | | **133,394** | 31,175 |
| Administrative expenses | 7 | **(26,676)** | (14,920) |
| **Operating profit** | | **106,718** | 16,255 |
| Finance costs | 9 | **(13,983)** | (9,577) |
| Finance income | 9 | **4,135** | 887 |
| Change in fair value of derivative financial instruments | 35 | **5,312** | (2,573) |
| Foreign exchange (losses)/gains | | **(501)** | 17 |
| **Profit before tax** | | **101,681** | 5,009 |
| Taxation on profit on ordinary activities | 10 | **(14,126)** | 815 |
| **Profit after tax** | | **87,555** | 5,824 |
| - attributable to equity shareholders | | **87,603** | 5,867 |
| - attributable to non-controlling interests | | **(48)** | (43) |
| **Profit for the year** | | **87,555** | 5,824 |
| **Basic earnings per share** | 14 | **75.0p** | 5.0p |
| **Diluted earnings per share** | 14 | **73.2p** | 5.0p |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2014

| | Note | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|---|
| **Profit for the year** | | **87,555** | 5,824 |
| **Other comprehensive income** | | | |
| Impairment of available-for-sale investments | 21 | **(936)** | (1,304) |
| Exchange difference on retranslation of net investments in foreign operations | | **51** | (212) |
| **Total comprehensive income for the year** | | **86,670** | 4,308 |
| - attributable to equity shareholders | | **86,718** | 4,351 |
| - attributable to non-controlling interests | | **(48)** | (43) |
| **Total comprehensive income for the year** | | **86,670** | 4,308 |

Both of the items in 'Other Comprehensive Income' will be reclassified to the Income Statement in the future.

# CONSOLIDATED AND COMPANY BALANCE SHEETS
## AS AT 31 MARCH 2014

| | Note | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investment properties | 15 | **493,201** | 312,026 | **-** | - |
| Owner occupied property, plant and equipment | 17 | **1,050** | 1,153 | **949** | 980 |
| Investment in subsidiaries | 18 | **-** | - | **36,584** | 36,945 |
| Investment in joint ventures | 19 | **62,980** | 49,890 | **15** | 15 |
| Derivative financial instruments | 35 | **1,867** | 146 | **315** | 52 |
| Trade and other receivables | 22 | **7,673** | 6,325 | **-** | - |
| Deferred tax asset | 11 | **8,458** | 10,381 | **749** | 577 |
| **Total non-current assets** | | **575,229** | 379,921 | **38,612** | 38,569 |
| **Current assets** | | | | | |
| Land, developments and trading properties | 20 | **98,160** | 92,874 | **-** | - |
| Available-for-sale investments | 21 | **4,973** | 5,997 | **-** | - |
| Trade and other receivables | 22 | **33,337** | 38,017 | **491,437** | 326,244 |
| Cash and cash equivalents | 23 | **63,237** | 36,863 | **30,376** | 24,035 |
| | | **199,707** | 173,751 | **521,813** | 350,279 |
| **Total assets** | | **774,936** | 553,672 | **560,425** | 388,848 |
| **Current liabilities** | | | | | |
| Trade and other payables | 24 | **(49,230)** | (34,929) | **(235,578)** | (153,580) |
| Corporate tax payable | | **(5,370)** | (70) | **(2,908)** | - |
| Borrowings | 25 | **(1,275)** | (39,295) | **-** | (6,848) |
| | | **(55,875)** | (74,294) | **(238,486)** | (160,428) |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 24 | **(2,150)** | - | **-** | - |
| Borrowings | 25 | **(374,811)** | (220,446) | **(82,399)** | (4,457) |
| Derivative financial instruments | 35 | **(1,573)** | (5,164) | **(192)** | (1,027) |
| | | **(378,534)** | (225,610) | **(82,591)** | (5,484) |
| **Total liabilities** | | **(434,409)** | (299,904) | **(321,077)** | (165,912) |
| **Net assets** | 2 | **340,527** | 253,768 | **239,348** | 222,936 |
| **Equity** | | | | | |
| Called-up share capital | 27 | **1,447** | 1,447 | **1,447** | 1,447 |
| Share premium account | | **98,678** | 98,678 | **98,678** | 98,678 |
| Revaluation reserve | | **33,106** | 10,593 | **-** | - |
| Capital redemption reserve | | **7,478** | 7,478 | **7,478** | 7,478 |
| Other reserves | | **291** | 291 | **1,987** | 1,987 |
| Retained earnings | | **200,455** | 135,211 | **129,758** | 113,346 |
| Own shares held | | **(950)** | - | **-** | - |
| **Equity attributable to equity holders of the parent company** | | **340,505** | 253,698 | **239,348** | 222,936 |
| Non-controlling interests | | **22** | 70 | **-** | - |
| **Total equity** | | **340,527** | 253,768 | **239,348** | 222,936 |

The financial statements were approved by the Board of Directors on 19 June 2014.

**Michael Slade**
Director

**Tim Murphy**
Director

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

## FOR THE YEAR TO 31 MARCH 2014

| | **Group 31.3.14 £000** | Group 31.3.13 £000 | **Company 31.3.14 £000** | Company 31.3.13 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before tax | **101,681** | 5,009 | **29,549** | (287) |
| Depreciation | **719** | 340 | **653** | 290 |
| Revaluation gain on investment properties | **(20,714)** | (3,723) | **-** | - |
| (Gain)/loss on sales of investment properties | **(8,611)** | 2,388 | **-** | - |
| Net financing costs/(income) | **9,529** | 8,690 | **1,121** | (1,565) |
| Change in value of derivative financial instruments | **(5,312)** | 2,573 | **(1,098)** | 478 |
| Share based payment charge | **6,333** | 1,864 | **-** | - |
| Share of results of joint ventures | **(16,448)** | (3,854) | **-** | - |
| Impairment of available for sale assets | **88** | - | **-** | - |
| Foreign exchange movement | **109** | (211) | **-** | 32 |
| Other non-cash items | **(10)** | - | **(10)** | - |
| **Cash inflow/(outflow) from operations before changes in working capital** | **67,364** | 13,076 | **30,215** | (1,052) |
| Change in trade and other receivables | **3,680** | (21,470) | **(165,193)** | (1,571) |
| Change in land, developments and trading properties | **(11,306)** | 9,520 | **-** | 101 |
| Change in trade and other payables | **16,096** | 10,637 | **87,763** | 7,715 |
| **Cash inflow/(outflow) generated from operations** | **75,834** | 11,763 | **(47,215)** | 5,193 |
| Finance costs | **(17,645)** | (13,104) | **(6,087)** | (951) |
| Finance income | **1,236** | 887 | **1,810** | 3,217 |
| Tax (paid)/received | **(6,903)** | 732 | **(6,903)** | (1,886) |
| | **(23,312)** | (11,485) | **(11,180)** | 380 |
| **Cash flows from operating activities** | **52,522** | 278 | **(58,395)** | 5,573 |
| **Cash flows from investing activities** | | | | |
| Purchase of investment property | **(199,944)** | (5,141) | **-** | - |
| Sale of investment property | **56,914** | 21,910 | **-** | - |
| Purchase of own shares | **(950)** | - | **-** | - |
| Cost of cancelling interest rate swap | **8** | (1) | **-** | - |
| Investment in subsidiaries | **-** | - | **(150)** | (6,622) |
| Investment in joint ventures | **(650)** | (6,622) | **-** | - |
| Return of investment in joint ventures | **2,668** | 751 | **-** | - |
| Dividends from joint ventures | **1,350** | - | **-** | - |
| Sale of plant and equipment | **34** | - | **34** | - |
| Purchase of leasehold improvements, plant and equipment | **(646)** | (242) | **(646)** | (163) |
| Net cash (used in)/generated from investing activities | **(141,216)** | 10,655 | **(762)** | (6,785) |
| **Cash flows from financing activities** | | | | |
| Borrowings drawn down | **274,369** | 33,682 | **80,000** | 11,298 |
| Borrowings repaid | **(152,636)** | (37,001) | **(7,842)** | (6,240) |
| Equity dividends paid | **(6,660)** | (6,134) | **(6,660)** | (6,134) |
| Net cash generated from/(used in) financing activities | **115,073** | (9,453) | **65,498** | (1,076) |
| Net increase/(decrease) in cash and cash equivalents | **26,379** | 1,480 | **6,341** | (2,288) |
| Exchange losses on cash and cash equivalents | **(5)** | (28) | **-** | (32) |
| Cash and cash equivalents at 1 April | **36,863** | 35,411 | **24,035** | 26,355 |
| **Cash and cash equivalents at 31 March** | **62,237** | 36,863 | **30,376** | 24,035 |

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR TO 31 MARCH 2014

| Group | Share capital £000 | Share premium £000 | Revaluation reserve £000 | Capital redemption reserve £000 | Other reserves £000 | Retained earnings £000 | Own shares held | Non-controlling interests £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| At 31 March 2012 | 1,447 | 98,678 | 2,612 | 7,478 | 291 | 143,111 | - | 113 | 253,730 |
| Total comprehensive income/ (expense) | - | - | - | - | - | 4,351 | - | (43) | 4,308 |
| Revaluation surplus | - | - | 3,723 | - | - | (3,723) | - | - | - |
| Realised on disposals | - | - | 4,258 | - | - | (4,258) | - | - | - |
| Performance share plan | - | - | - | - | - | 1,864 | - | - | 1,864 |
| Dividends paid | - | - | - | - | - | (6,134) | - | - | (6,134) |
| At 31 March 2013 | 1,447 | 98,678 | 10,593 | 7,478 | 291 | 135,211 | - | 70 | 253,768 |
| **Total comprehensive income/(expense)** | **-** | **-** | **-** | **-** | **-** | **86,718** | **-** | **(48)** | **86,670** |
| **Revaluation surplus** | **-** | **-** | **20,714** | **-** | **-** | **(20,714)** | **-** | **-** | **-** |
| **Realised on disposals** | **-** | **-** | **1,799** | **-** | **-** | **(1,799)** | **-** | **-** | **-** |
| **Performance share plan** | **-** | **-** | **-** | **-** | **-** | **6,333** | **-** | **-** | **6,333** |
| **Share settled bonus** | **-** | **-** | **-** | **-** | **-** | **1,366** | **-** | **-** | **1,366** |
| **Purchase of own shares** | **-** | **-** | **-** | **-** | **-** | **-** | **(950)** | **-** | **(950)** |
| **Dividends paid** | **-** | **-** | **-** | **-** | **-** | **(6,660)** | **-** | **-** | **(6,660)** |
| **At 31 March 2014** | **1,447** | **98,678** | **33,106** | **7,478** | **291** | **200,455** | **(950)** | **22** | **340,527** |

For a breakdown of Total comprehensive income/expense, see the Consolidated Statement of Comprehensive Income on page 76.

Included within changes in equity are net transactions with owners of £89,000 (2013: £4,270,000) made up of: the performance share plan charge of £6,333,000 (2013: £1,864,000), dividends paid of £6,660,000 (2013: £6,134,000), the purchase of own shares of £950,000 (2013: £nil) and the share settled bonuses of £1,366,000 (2013: £nil).

The adjustment to retained earnings of £6,333,000 adds back the performance share plan charge (2013: £1,864,000), in accordance with IFRS 2 Share-Based Payments.

| Company | Share capital £000 | Share premium £000 | Revaluation reserve £000 | Capital redemption reserve £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| At 31 March 2012 | 1,447 | 98,678 | - | 7,478 | 1,987 | 122,789 | 232,379 |
| Total comprehensive expense | - | - | - | - | - | (3,309) | (3,309) |
| Dividends paid | - | - | - | - | - | (6,134) | (6,134) |
| At 31 March 2013 | 1,447 | 98,678 | - | 7,478 | 1,987 | 113,346 | 222,936 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **23,072** | **23,072** |
| **Dividends paid** | **-** | **-** | **-** | **-** | **-** | **(6,660)** | **(6,660)** |
| **At 31 March 2014** | **1,447** | **98,678** | **-** | **7,478** | **1,987** | **129,758** | **239,348** |

Total comprehensive income is made up of the gain after tax of £23,072,000 (2013: loss £3,309,000).

Included within changes in equity are net transactions with owners of £6,660,000 (2013: £6,134,000) made up of dividends paid of £6,660,000 (2013: £6,134,000).

**Notes:**
Share capital - represents the nominal value of issued share capital.
Share premium - represents the excess of value of shares issued over their nominal value.
Revaluation reserve - represents the surplus/deficit of fair value of investment properties over their historic cost.
Capital redemption reserve - represents amounts paid to purchase issued shares for cancellation at their nominal value.
Retained earnings - represents the accumulated retained earnings of the Group.

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union.

The directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement for the parent company.

The financial statements have been prepared in Sterling (rounded to the nearest thousand) under the historical cost convention as modified by the revaluation of investment properties, available-for-sale investments and derivative financial instruments. The measurement bases and principal accounting policies of the Group are set out in note 36. These accounting policies are consistent with those applied in the year to 31 March 2013, as amended to reflect any new Standards, Amendments to Standards and interpretations which are mandatory for the year ended 31 March 2014.

IAS 1 (amended): Presentation of items of other comprehensive income (effective 1 July 2012);
IAS 12 (amended): Deferred tax – Recovery of underlying assets (effective 1 January 2013);
IFRS 7 (amended): Disclosures – transfer of financial assets (effective 1 January 2013); and
IFRS 13: Fair value measurement (effective 1 January 2013);

There has been no material impact as a result of adopting the above other than additional disclosure of fair value measurement of Investment Properties.

The following standards, interpretations and amendments have been issued but are not yet effective. They will be adopted at the point they are effective:

IAS 27 (revised): Separate financial statements (effective 1 January 2014);
IAS 28 (revised): Associates and joint ventures (effective 1 January 2014);
IFRS 9: Financial Instruments: Classification and measurement;
IFRS 10: Consolidated financial statements (effective 1 January 2014);
IFRS 11: Joint arrangements (effective 1 January 2014);
IFRS 12: Disclosure of interests in other entities (effective 1 January 2014);
Amendments to IAS 32 (Dec 2011) Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014);
Amendments to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets (effective 1 January 2014); and
Annual improvements to IFRSs 2011-2013 cycle (effective 1 July 2014).

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

## 2. SEGMENTAL INFORMATION

IFRS 8 requires the identification of the Group's operating segments which are defined as being discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. The Group divides its business into the following segments:

- Investment properties, which are owned or leased by the Group for long-term income and for capital appreciation, and Trading properties which are owned or leased with the intention to sell; and,
- Developments, which include sites, developments in the course of construction, completed developments available for sale, pre-sold developments and interest in third party developments.

| **Revenue** | **Investment and trading Year ended 31.3.14 £000** | **Developments Year ended 31.3.14 £000** | **Total Year ended 31.3.14 £000** | Investment and trading Year ended 31.3.13 £000 | Developments Year ended 31.3.13 £000 | Total Year ended 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Rental income | **27,994** | **2,000** | **29,994** | 24,032 | 1,784 | 25,816 |
| Development property income | **-** | **82,457** | **82,457** | - | 38,498 | 38,498 |
| Trading property sales | **8,230** | **-** | **8,230** | 122 | - | 122 |
| Other revenue | **2,956** | **-** | **2,956** | 1,003 | - | 1,003 |
| Total revenue | **39,180** | **84,457** | **123,637** | 25,157 | 40,282 | 65,439 |

All revenue is from external sales and is attributable to continuing operations. There were no inter-segmental sales.

Revenue for the year comprises revenue from construction contracts of £nil (2013: £nil), revenue from the sale of goods of £62,965,000 (2013: £31,193,000), revenue from services of £30,678,000 (2013: £8,430,000), and rental income of £29,994,000 (2013: £25,816,000).

All revenues are within the UK other than rental income from development properties in Poland of £1,065,000 (2013: £1,104,000) and £835,000 (2013: £671,000) of development income derived from the Group's operations in Poland.

| Profit before tax | Investment and trading Year ended 31.3.14 £000 | Developments Year ended 31.3.14 £000 | Total Year ended 31.3.14 £000 | Investment and trading Year ended 31.3.13 £000 | Developments Year ended 31.3.13 £000 | Total Year ended 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Net rental income | **22,764** | **1,638** | **24,402** | 18,232 | 1,346 | 19,578 |
| Development property profit | **-** | **62,825** | **62,825** | – | 6,956 | 6,956 |
| Trading property profit /(loss) | **252** | **-** | **252** | (1) | – | (1) |
| Share of results of joint ventures | **18,882** | **(2,434)** | **16,448** | 4,323 | (469) | 3,854 |
| Gain on sale and revaluation of investment properties | **29,325** | **-** | **29,325** | 1,335 | – | 1,335 |
| | **71,223** | **62,029** | **133,252** | 23,889 | 7,833 | 31,722 |
| Impairment of available for sale assets | | | **(88)** | | | - |
| Other operating income/(expense) | | | **230** | | | (547) |
| Gross profit | | | **133,394** | | | 31,175 |
| Administrative expenses | | | **(26,676)** | | | (14,920) |
| Finance costs | | | **(13,983)** | | | (9,577) |
| Finance income | | | **4,135** | | | 887 |
| Change in fair value of derivative financial instruments | | | **5,312** | | | (2,573) |
| Foreign exchange (losses)/gains | | | **(501)** | | | 17 |
| Profit before tax | | | **101,681** | | | 5,009 |

| Net assets | At 31.3.14 £000 | At 31.3.14 £000 | At 31.3.14 £000 | At 31.3.13 £000 | At 31.3.13 £000 | At 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Investment properties | **493,201** | **-** | **493,201** | 312,026 | - | 312,026 |
| Land, development and trading properties | **2,528** | **95,632** | **98,160** | 2,528 | 90,346 | 92,874 |
| Investment in joint ventures | **58,460** | **4,520** | **62,980** | 41,687 | 8,203 | 49,890 |
| | **554,189** | **100,152** | **654,341** | 356,241 | 98,549 | 454,790 |
| Owner occupied property, plant and equipment | | | **1,050** | | | 1,153 |
| Derivative financial instruments | | | **1,867** | | | 146 |
| Deferred tax assets | | | **8,458** | | | 10,381 |
| Available-for-sale investments | | | **4,973** | | | 5,997 |
| Trade and other receivables | | | **41,010** | | | 44,342 |
| Cash and cash equivalents | | | **63,237** | | | 36,863 |
| Total assets | | | **774,936** | | | 553,672 |
| Liabilities | | | **(434,409)** | | | (299,904) |
| Net assets | | | **340,527** | | | 253,768 |

All non-current assets are derived from the Group's UK operations except for Helical's share of a held for sale investment held at £nil (2013: £4,792,000) which is derived from the Group's Polish operations.

## 3. NET RENTAL INCOME

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Gross rental income | **29,994** | 25,816 |
| Rents payable | **(476)** | (342) |
| Property overheads | **(4,328)** | (5,186) |
| Net rental income | **25,190** | 20,288 |
| Net rental income attributable to profit share partner | **(788)** | (710) |
| Group share of net rental income | **24,402** | 19,578 |

Property overheads include lettings costs, vacancy costs and bad debt provisions.

The amounts above include gross rental income from investment properties of £27,994,000 (2013: £24,032,000) and net rental income of £22,764,000 (2013: £18,232,000).

No contingent rental income was received in the year (2013: £nil).

## 4. DEVELOPMENT PROPERTY PROFIT

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Development property income | **82,457** | 38,498 |
| Cost of sales | **(15,613)** | (30,420) |
| Sales expenses | **(4,751)** | (462) |
| Provision against book values | **552** | (660) |
| Development property profit | **62,825** | 6,956 |

## 5. TRADING PROPERTY GAIN/(LOSS)

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Trading property sales | **8,230** | 122 |
| Cost of sales | **(7,945)** | (110) |
| Sales expenses | **(33)** | (13) |
| Trading property gain/(loss) | **252** | (1) |

## 6. NET GAIN ON SALE AND REVALUATION OF INVESTMENT PROPERTIES

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Net proceeds from the sale of investment properties | **57,971** | 21,910 |
| Book value (note 15) | **(48,303)** | (23,865) |
| Tenants incentives on sold investment properties | **(1,057)** | (433) |
| Gain/(loss) on sale of investment properties | **8,611** | (2,388) |
| Revaluation surplus on investment properties | **20,714** | 3,723 |
| Gain on sale and revaluation of investment properties | **29,325** | 1,335 |

## 7. ADMINISTRATIVE EXPENSES

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| Administrative expenses | **(26,676)** | (14,920) |
| Operating profit is stated after the following items that are contained within administrative expenses: | | |
| Depreciation | | |
| - owner occupied property, plant and equipment | **719** | 340 |
| Share-based payments charge | **6,333** | 1,864 |
| Auditors' remuneration: | | |
| Audit fees | | |
| - audit of parent company and consolidated financial statements | **150** | 155 |
| - audit of company's subsidiaries | **52** | 47 |
| - audit of interim consolidated financial statements | **42** | 41 |
| - audit of Company's subsidiaries by affiliate of Group Auditor | **12** | 11 |

## 8. STAFF COSTS

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| Staff costs during the year: | | |
| - wages and salaries | **14,465** | 8,627 |
| - social security costs | **2,844** | 1,420 |
| - other pension costs | **115** | 116 |
| | **17,424** | 10,163 |

Details of the remuneration of Directors amounting to £14,396,000 (2013: £5,560,000) are included in the Directors' Remuneration Report on pages 55 to 67. The amount of the share-based payments charge relating to share awards made to Directors is £5,799,000 (2013: £1,715,000).

Included within wages and salaries are directors' bonuses of £6,099,000 (2013: £3,051,000) as discussed in the Directors' Remuneration Report on pages 55 to 67.

Other pension costs relate to payments to individual pension plans.

The average number of employees (management and administration) of the Group during the year was 46 (2013: 40) of which 34 are UK staff and 12 are based in Poland.

Of the staff costs of £17,424,000 (2013: £10,163,000), £16,369,000 is included within administrative expenses (2013: £9,713,000) £481,000 is included within development costs (2013: £331,000) and £574,000 is included in Other operating income/expense (2013: £119,000).

Within administrative costs is the share based payment charge for the year of £6,333,000 (2013: £1,864,000) which is not included in the staff costs above.

## 9. FINANCE COSTS AND FINANCE INCOME

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| Interest payable on bank loans and overdrafts | **(14,298)** | (10,445) |
| Other interest payable and similar charges | **(2,520)** | (1,658) |
| Interest capitalised | **2,835** | 2,526 |
| Finance costs | **(13,983)** | (9,577) |
| | | |
| Interest receivable and similar income | **1,236** | 887 |
| Gain on purchase of loan | **2,899** | - |
| Finance income | **4,135** | 887 |

During the year to 31 March 2014, the Group purchased a loan from one of its lenders realising a gain of £2,899,000.

On projects where specific third party loans have been arranged, interest has been capitalised in accordance with IAS 23 - Borrowing Costs, at the rate for the individual loan. The weighted average capitalised interest rate of such loans was 3.57% (2013: 2.87%). Where general finance has been used to fund the acquisition and construction of properties the rate used was a weighted average of the financing costs for the applicable borrowings of 4.60% (2013: 4.06%).

## 10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| The tax (charge)/credit is based on the profit for the year and represents: | | |
| United Kingdom corporation tax at 23%/24% | | |
| - Group corporation tax | **(11,687)** | (435) |
| - adjustment in respect of prior periods | **(403)** | - |
| - overseas tax | **(113)** | (84) |
| Current tax charge | **(12,203)** | (519) |
| Deferred tax at 20%/21% | | |
| - capital allowances | **1,157** | 46 |
| - tax losses | **(1,746)** | 163 |
| - other temporary differences | **(1,334)** | 1,125 |
| Deferred tax (charge)/credit | **(1,923)** | 1,334 |
| Tax (charge)/credit on profit on ordinary activities | **(14,126)** | 815 |

Factors affecting the tax charge for the period:
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (23%).
The differences are explained below:

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| Profit on ordinary activities before tax | **101,681** | 5,009 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% | **(23,387)** | (1,152) |
| Effect of: | | |
| - expenses not deductible for tax purposes | **(1,422)** | (1,308) |
| - income not subject to UK corporation tax | **164** | 311 |
| - adjustment to brought forward capital allowances | **493** | - |
| - tax movements on share awards | **1,135** | 616 |
| - additional tax losses recognised/(unavailable) | **(168)** | 1,411 |
| - operating profit of joint ventures | **3,783** | 876 |
| - prior year adjustment | **(403)** | - |
| - revaluation surplus not recognised through deferred tax | **3,971** | 856 |
| - chargeable gain lower than/(in excess of) profit or loss on investment property | **1,980** | (510) |
| - overseas tax | **(113)** | (84) |
| - other temporary differences | **971** | (201) |
| Effect of change of rate of corporation tax | **(1,130)** | - |
| Total tax (charge)/credit for the period | **(14,126)** | 815 |

Note: all deferred tax balances have been calculated at the substantively enacted future rate of corporation tax of 20% for the year to 31 March 2015.

**Factors that may affect future tax charges**

The tax charge is expected to be less than the full rate in future years, primarily due to the Group continuing to claim allowances in respect of eligible expenditure on investment properties.

## 11. DEFERRED TAX

Deferred tax provided for in the financial statements is set out below:

| | **Group 31.3.14 £000** | Group 31.3.13 £000 | **Company 31.3.14 £000** | Company 31.3.13 £000 |
|---|---|---|---|---|
| Capital allowances | **(1,264)** | (2,421) | **99** | (29) |
| Tax losses | **8,988** | 10,734 | **363** | - |
| Other temporary differences | **734** | 2,068 | **287** | 606 |
| Deferred tax asset | **8,458** | 10,381 | **749** | 577 |

Other temporary differences represent deferred tax assets arising from the recognition of the fair value of derivative financial instruments, unrealised gains and future tax relief available to the Group from capital allowances and when share awards vest.

The Group contains entities with tax losses for which no deferred tax asset is recognised. The total unrecognised losses amount to approximately £7.6m. A deferred tax asset has not been recognised because the entities in which the losses have been generated either do not have forecast taxable profits or the losses have restrictions whereby their utilisation is considered to be unlikely.

If upon sale of the investment properties the Group retained all the capital allowances, the deferred tax provision in respect of capital allowances of £1.2m (2013: £2.4m) would be released and further capital allowances of £11.4m (2013: £9.5m) would be available to reduce future tax liabilities.

## 12. DIVIDENDS PAID AND PAYABLE

| | **Year ended 31.3.14 £000** | Year ended 31.3.13 £000 |
|---|---|---|
| Attributable to equity share capital | | |
| Ordinary | | |
| - interim paid of 2.00p (2013: 1.85p) per share | **2,337** | 2,161 |
| - prior period final paid of 3.70p (2013: 3.40p) per share | **4,323** | 3,973 |
| Total dividends paid and payable in year - 5.70p (2013: 5.25p) per share | **6,660** | 6,134 |

An interim dividend of 2.00p was paid on 27 December 2013 to shareholders on the register on 6 December 2013. The final dividend of 4.75p, if approved at the AGM on 25 July 2014, will be paid on 30 July 2014 to shareholders on the register on 4 July 2014. This final dividend, amounting to £5,540,000, has not been included as a liability as at 31 March 2014, in accordance with IFRS.

## 13. PARENT COMPANY

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in the financial statements. The profit for the year of the Company was £23,072,000 (2013: loss of £3,309,000).

## 14. 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. This is a different basis to the net asset per share calculations which are based on the number of shares at the year end. 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 effect of all dilutive options and awards.

The earnings per share are calculated in accordance with IAS 33, Earnings per Share and the best practice recommendations of the European Public Real Estate Association ("EPRA"). Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

| | **Year ended 31.3.14 000** | Year ended 31.3.13 000 |
|---|---|---|
| Ordinary shares in issue | **118,138** | 118,138 |
| Weighting adjustment | **(1,323)** | (1,292) |
| Weighted average ordinary shares in issue for calculation of basic earnings per share | **116,815** | 116,846 |
| Weighted average ordinary shares issued on exercise of share options | **46** | 34 |
| Weighted average ordinary shares to be issued on share settled bonuses | **451** | - |
| Weighted average ordinary shares to be issued under performance share plan | **2,389** | 1,349 |
| Weighted average ordinary shares in issue for calculation of diluted and diluted EPRA earnings per share | **119,701** | 118,229 |

| | **£000** | £000 |
|---|---|---|
| Earnings used for calculation of basic and diluted earnings per share | **87,603** | 5,867 |
| Basic earnings per share | **75.0p** | 5.0p |
| Diluted earnings per share | **73.2p** | 5.0p |

| | **£000** | £000 |
|---|---|---|
| Earnings used for calculation of basic and diluted earnings per share | **87,603** | 5,867 |
| Net gain on sale and revaluation of investment properties | **(29,325)** | (1,335) |
| Share of net gain on revaluation of investment properties in the results of joint ventures | **(15,710)** | (3,109) |
| Tax on profit on disposal of investment properties | **1,981** | (549) |
| Trading property (gain)/loss | **(252)** | 1 |
| Fair value movement on derivative financial instruments | **(5,312)** | 2,573 |
| Share of fair value movements on derivative financial instruments in the results of joint ventures | **(1,001)** | (32) |
| Impairment of available-for-sale investment | **88** | - |
| Deferred tax | **862** | (572) |
| Performance related awards | **17,860** | 6,828 |
| Earnings used for calculation of adjusted diluted EPRA earnings per share | **56,794** | 9,672 |
| Performance related awards | **(17,860)** | (6,828) |
| Earnings used for calculation of diluted EPRA earnings per share | **38,934** | 2,844 |

| | | |
|---|---|---|
| Adjusted diluted EPRA earnings per share | **47.4p** | 8.2p |
| Diluted EPRA earnings per share | **32.5p** | 2.4p |

The earnings used for calculation of diluted EPRA earnings per share includes net rental income and development property profits but excludes trading property losses.

## 15. INVESTMENT PROPERTIES

| | Freehold 31.3.14 £000 | Leasehold 31.3.14 £000 | Total 31.3.14 £000 | Freehold 31.3.13 £000 | Leasehold 31.3.13 £000 | Total 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| Fair value at 1 April | **288,076** | **23,950** | **312,026** | 292,276 | 34,600 | 326,876 |
| Property acquisitions | **183,357** | **16,587** | **199,944** | 4,299 | 842 | 5,141 |
| Transfers from land, developments and trading properties | **-** | **8,600** | **8,600** | - | - | - |
| Disposals | **(41,870)** | **(6,433)** | **(48,303)** | (13,069) | (10,796) | (23,865) |
| Revaluation surplus/(deficit) | **20,493** | **221** | **20,714** | 4,419 | (696) | 3,723 |
| Revaluation surplus attributable to profit share partner | **220** | **-** | **220** | 151 | - | 151 |
| Fair value at 31 March | **450,276** | **42,925** | **493,201** | 288,076 | 23,950 | 312,026 |

Interest capitalised during the year in respect of the refurbishment of investment properties amounted to £nil (2013: £nil).

Interest capitalised in respect of the refurbishment of investment properties is included in investment properties to the extent of £4,782,317 (2013: £5,767,000).

Investment properties with a total fair value of £474,200,000 (2013: £312,025,000) were held as security against borrowings.

All of the Group's properties are level 3, as defined by IFRS 13 Fair Value Measurement, in the fair value hierarchy as at 31 March 2014 and there were no transfers between levels during the year. Level 3 inputs used in valuing the properties, are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment properties during the year.

**Valuation methodology**

The fair value of the Group's investment property as at 31 March 2014 was determined by independent external valuers at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards 2012 and were arrived at by reference to market transactions for similar properties. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below. A key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the cash flow profile of the property for a number of years. The valuation assumes adjustments from these rental values to current market rent at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as vacancies and costs, generates the market value of the property. The equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, amongst other things, any risks associated with the rent uplift assumptions.

The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties. The valuation output, along with inputs and assumptions, are reviewed to ensure these are in line with what a market participant would use when pricing each asset.

There are interrelationships between all the inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions.

Details of the investment portfolio yields can be found on page 26 of this report.

The investment properties have been valued at 31 March 2014 as follows:

| | 31.3.14 £000 | 31.3.13 £000 |
|---|---|---|
| Cushman & Wakefield LLP | **493,200** | 312,025 |
| Directors' valuation | **1** | 1 |
| | **493,201** | 312,026 |

The historical cost of investment property is £457,780,930 (2013: £298,878,000).

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## 16. OPERATING LEASE ARRANGEMENTS

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases. At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

| | **Group 31.3.14 £000** | Group 31.3.13 £000 |
|---|---|---|
| Not later than one year | **29,065** | 24,281 |
| Later than one year but not more than five years | **81,237** | 64,729 |
| More than five years | **104,240** | 57,966 |
| | **214,542** | 146,976 |

The Company has no operating lease arrangements as lessor.

## 17. OWNER OCCUPIED PROPERTY, PLANT AND EQUIPMENT - GROUP

| | **Short leasehold improvements 31.3.14 £000** | **Plant and equipment 31.3.14 £000** | **Total 31.3.14 £000** | Short leasehold improvements 31.3.13 £000 | Plant and equipment 31.3.13 £000 | Total 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Cost at 1 April | **2,071** | **825** | **2,896** | 2,071 | 686 | 2,757 |
| Additions at cost | **302** | **344** | **646** | - | 242 | 242 |
| Disposals | **-** | **(234)** | **(234)** | - | (103) | (103) |
| Cost at 31 March | **2,373** | **935** | **3,308** | 2,071 | 825 | 2,896 |
| Depreciation at 1 April | **1,283** | **460** | **1,743** | 1,096 | 410 | 1,506 |
| Provision for the year | **528** | **187** | **715** | 187 | 153 | 340 |
| Eliminated on disposals | **-** | **(200)** | **(200)** | - | (103) | (103) |
| Depreciation at 31 March | **1,811** | **447** | **2,258** | 1,283 | 460 | 1,743 |
| Net book amount at 31 March | **562** | **488** | **1,050** | 788 | 365 | 1,153 |

Plant and equipment include vehicles, fixtures and fittings and other office equipment.

All short leasehold improvements, plant and equipment relate to the Company except for plant and equipment with a net book value of £101,000 as at 31 March 2014 (2013: £173,000).

## 18. INVESTMENT IN SUBSIDIARIES

| | **Group 31.3.14 £000** | Group 31.3.13 £000 | **Company 31.3.14 £000** | Company 31.3.13 £000 |
|---|---|---|---|---|
| At 1 April | **-** | - | **36,945** | 31,173 |
| Acquired during year | **-** | - | **150** | 6,772 |
| Share capital repaid by subsidiary | **-** | - | **-** | (1,000) |
| Investment impaired during the year | **-** | - | **(511)** | - |
| At 31 March | **-** | - | **36,584** | 36,945 |

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 |
|---|---|---|
| Baylight Developments Ltd* | Investment | 100% |
| Dencora (Docklands) Ltd | Investment | 100% |
| Dencora (Fordham) Ltd | Investment | 100% |
| Downtown Space Properties LLP | Investment | 100% |
| Harbour Developments (Bracknell) Ltd | Development | 100% |
| HB Sawston No. 3 Ltd | Investment | 100% |
| Helical Bar (Maple) Ltd | Investment | 100% |
| Helical Bar Developments (South East) Ltd | Development | 100% |
| Helical Bar (Great Dover Street) Ltd | Investment | 100% |
| Helical Bar (Mitre Square) Ltd | Development | 100% |
| Helical Bar Services Ltd | Management Services | 100% |
| Helical Bar (Wales) Ltd* | Investment | 100% |
| Helical Bar (White City) Ltd | Development | 100% |
| Helical (Artillery) Ltd | Investment | 100% |
| Helical (Basildon Retail) LP* | Investment | 100% |
| Helical (Battersea) Ltd | Investment | 100% |
| Helical (Bramshott Place) Ltd | Development | 100% |
| Helical (Broadway) Ltd | Investment | 100% |
| Helical (Cardiff) Ltd | Investment | 100% |
| Helical (Corby) Ltd | Investment | 100% |
| Helical (Corby Investments) Ltd | Investment | 100% |
| Helical (Churchgate) Ltd | Investment | 100% |
| Helical (Crownhill) Ltd | Investment (Jersey) | 100% |
| Helical (Enterprise) Ltd | Investment | 100% |
| Helical (East Kilbride) Ltd | Investment | 100% |
| Helical (Exeter) Ltd | Development | 100% |
| Helical (Faygate) Ltd | Development | 100% |
| Helical (Glasgow) Ltd | Investment/Trading | 100% |
| Helical (Hailsham) Ltd | Development | 100% |
| Helical (Hedge End) Ltd | Trading | 100% |
| Helical (Huddersfield) Ltd | Investment | 100% |
| Helical (Liphook) Ltd | Development (Jersey) | 100% |
| Helical (Porchester) Ltd | Investment | 100% |
| Helical (Quartz) Ltd | Investment | 100% |
| Helical Retail Ltd | Development | 100% |
| Helical (Sevenoaks) Ltd | Investment | 100% |
| Helical (St Vincent) Ltd | Development | 100% |
| Helical (Telford) Ltd | Development | 100% |
| Helical (Winterhill) Ltd | Investment | 100% |
| Helical (Whitechapel) Ltd | Investment | 100% |
| Helical Wroclaw Sp. z.o.o.* | Development (Poland) | 100% |
| Metropolis Property Ltd | Investment | 100% |
| Newmarket LP* | Investment | 100% |
| Sutton-in-Ashfield LP* | Investment | 100% |

*Ordinary capital is held by a subsidiary undertaking.

All principal subsidiary undertakings operate in the United Kingdom other than Helical Wroclaw Sp. z.o.o. and, unless otherwise indicated, are incorporated and registered in England and Wales. In line with s410(2) of the Companies Act 2006 a full list of all subsidiaries is lodged with the Annual Return at Companies House.

Investments in subsidiaries have been impaired based on a review of their fair value at the balance sheet date. A review of the fair value of the investments is undertaken periodically. The fair value of the investment in subsidiaries is based on the value of the subsidiaries underlying assets.

## 19. INVESTMENT IN JOINT VENTURES

| | Investment & trading 31.3.14 £000 | Development 31.3.14 £000 | Total 31.3.14 £000 | Investment & trading 31.3.13 £000 | Development 31.3.13 £000 | Total 31.3.13 £000 |
|---|---|---|---|---|---|---|
| **Summarised statements of consolidated income** | | | | | | |
| **Revenue** | **6,351** | **250** | **6,601** | 5,629 | 564 | 6,193 |
| Gross rental income | **6,351** | **250** | **6,601** | 5,629 | 564 | 6,193 |
| Rents payable | **(625)** | **-** | **(625)** | (802) | - | (802) |
| Property overheads | **(671)** | **132** | **(539)** | (437) | (73) | (510) |
| **Net rental income** | **5,055** | **382** | **5,437** | 4,390 | 491 | 4,881 |
| Development profit/(losses) | **-** | **2,199** | **2,199** | - | (659) | (659) |
| Loss on sale of property | **(31)** | **-** | **(31)** | - | - | - |
| Gain on revaluation of investment properties | **15,710** | **-** | **15,710** | 3,109 | - | 3,109 |
| Impairment of held for sale investment | **-** | **(4,792)** | **(4,792)** | - | - | - |
| Other operating income/(expense) | **302** | **70** | **372** | 58 | (157) | (99) |
| Administrative expenses | **(94)** | **-** | **(94)** | (623) | (79) | (702) |
| Finance costs | **(3,027)** | **(24)** | **(3,051)** | (2,189) | (80) | (2,269) |
| Finance income | **369** | **170** | **539** | 5 | 61 | 66 |
| Change in fair value movement of derivative financial instruments | **1,001** | **-** | **1,001** | 32 | - | 32 |
| **Profit/(loss) before tax** | **19,285** | **(1,995)** | **17,290** | 4,782 | (423) | 4,359 |
| Tax | **(403)** | **(439)** | **(842)** | (505) | - | (505) |
| **Profit/(loss) after tax** | **18,882** | **(2,434)** | **16,448** | 4,277 | (423) | 3,854 |
| **Summarised balance sheets** | | | | | | |
| **Non-current assets** | | | | | | |
| Investment properties | **107,504** | **-** | **107,504** | 94,962 | - | 94,962 |
| Owner occupied property, plant and equipment | **21** | **-** | **21** | 25 | - | 25 |
| | **107,525** | **-** | **107,525** | 94,987 | - | 94,987 |
| **Current assets** | | | | | | |
| Land, development and trading properties | **-** | **27,165** | **27,165** | - | 23,797 | 23,797 |
| Held for sale investments | **-** | **-** | **-** | - | 4,792 | 4,792 |
| Trade and other receivables | **1,937** | **1,256** | **3,193** | 1,088 | 962 | 2,050 |
| Cash and cash equivalents | **4,292** | **11,500** | **15,792** | 4,713 | 5,080 | 9,793 |
| | **6,229** | **39,921** | **46,150** | 5,801 | 34,631 | 40,432 |
| **Current liabilities** | | | | | | |
| Trade and other payables | **(3,649)** | **(35,428)** | **(39,077)** | (11,257) | (24,928) | (36,185) |
| Borrowings | **(12,453)** | **-** | **(12,453)** | (720) | - | (720) |
| | **(16,102)** | **(35,428)** | **(51,530)** | (11,977) | (24,928) | (36,905) |
| **Non-current liabilities** | | | | | | |
| Trade and other payables | **(8,464)** | **-** | **(8,464)** | - | - | - |
| Borrowings | **(30,389)** | **-** | **(30,389)** | (46,094) | (1,500) | (47,594) |
| Derivative financial instruments | **(51)** | **-** | **(51)** | (1,030) | - | (1,030) |
| Deferred tax | **(289)** | **28** | **(261)** | - | - | - |
| | **(39,193)** | **28** | **(39,165)** | (47,124) | (1,500) | (48,624) |
| **Net assets** | **58,459** | **4,521** | **62,980** | 41,687 | 8,203 | 49,890 |

The cost of the Company's investment in joint ventures was £15,000 (2013: £15,000).
The Directors' valuation of the trading and development stock shows a surplus of £1,760,000 above book value (2013: £1,028,000).

At 31 March 2014 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 |
|---|---|---|---|---|---|
| HP Properties Ltd (BVI) | British Virgin Islands | Ordinary | 60% | - | Investment |
| Barts Two Investment Property Ltd | Jersey | Ordinary | 33% | - | Investment |
| 207 Old Street Unit Trust | Jersey | n/a | 33% | - | Investment |
| 211 Old Street Unit Trust | Jersey | n/a | 33% | - | Investment |
| Old Street Retail Unit Trust | Jersey | n/a | 33% | - | Investment |
| City Road (Jersey) Ltd | Jersey | Ordinary | 33% | - | Investment |
| Old Street Holdings LP | Jersey | n/a | 33% | - | Investment |
| Helical Sosnica Sp. zoo. | Poland | Ordinary | 50% | - | Development |
| Abbeygate Helical (Leisure Plaza) Ltd | United Kingdom | Ordinary | 50% | 50% | Development |
| Abbeygate Helical (Winterhill) Ltd | United Kingdom | Ordinary | 50% | 50% | Development |
| Abbeygate Helical (C4.1) LLP | United Kingdom | n/a | 50% | 50% | Development |
| Shirley Advance LLP | United Kingdom | n/a | 50% | - | Development |
| King Street Developments (Hammersmith) Ltd | United Kingdom | Ordinary | 50% | - | Development |

The Group's investment in Helical Sosnica Sp. zoo has been accounted for as an investment held for sale due to a commitment to sell the Group's share within the next year. At 31 March 2014 Helical Sosnica Sp. zoo held a development property the fair value of which the Director's believe to be £96,406,000 (of which Helical's share is £48,203,000) and a bank loan of £59,490,000 of which Helical's share is £29,745,000) repayable in September 2017.

## 20. LAND, DEVELOPMENTS AND TRADING PROPERTIES

| Group | **Development properties 31.3.14 £000** | **Trading stock 31.3.14 £000** | **Total 31.3.14 £000** | Development properties 31.3.13 £000 | Trading stock 31.3.13 £000 | Total 31.3.13 £000 |
|---|---|---|---|---|---|---|
| At 1 April | **90,346** | **2,528** | **92,874** | 97,103 | 2,638 | 99,741 |
| Construction costs | **32,863** | **-** | **32,863** | 20,164 | 5 | 20,169 |
| Interest capitalised | **2,835** | **-** | **2,835** | 2,526 | - | 2,526 |
| Transfer to investment properties | **(8,600)** | **-** | **(8,600)** | - | - | - |
| Disposals | **(22,109)** | **-** | **(22,109)** | (28,919) | (110) | (29,029) |
| Foreign exchange movements | **(255)** | **-** | **(255)** | 127 | - | 127 |
| Provision | **552** | **-** | **552** | (655) | (5) | (660) |
| At 31 March | **95,632** | **2,528** | **98,160** | 90,346 | 2,528 | 92,874 |

| Company | **Development properties 31.3.14 £000** | Development properties 31.3.13 £000 |
|---|---|---|
| At 1 April | **-** | 101 |
| Provision | **-** | (101) |
| At 31 March | **-** | - |

The Directors' valuation of trading and development stock shows a surplus of £25,719,000 above book value (2013: £48,837,000).

Interest capitalised in respect of the development of sites is included in stock to the extent of £7,742,719 (2013: £7,010,000).

Land, developments and trading properties with carrying values totalling £77,676,000 (2013: £82,144,000) were held as security against borrowings.

## 21. AVAILABLE-FOR-SALE INVESTMENTS

| | 31.3.14 £000 | 31.3.13 £000 |
|---|---|---|
| At 1 April | **5,997** | 7,003 |
| Additions | **-** | 298 |
| Impairment in the year | **(1,024)** | (1,304) |
| At 31 March | **4,973** | 5,997 |

Included within current available-for-sale investments is an amount lent to a company promoting a mainly residential mixed-use development and a holding of 20% of the equity of this company.

The loan and the equity are classed as an available-for-sale investment and held at fair value. The Group has determined its fair value by considering both the loan and the equity element separately. The loan element is valued at the fair value of the expected consideration to be received including anticipated future costs of recovering this loan. This amount has been impaired in the year due to a revision in the expected receipt. The equity element is given a nil value with the Group valuing the underlying company on a break up basis at £nil as it is believed that this is the most probable outcome. This nil valuation is derived because the Group believe that the value of the property and any other of the company's assets, after the repayment of the loan payable to the Group, would be required to repay the outstanding creditors leaving negligible value to the shareholders.

The Group does not consider that it has significant influence over this company despite having 20% of the equity as another party owns a majority shareholding and the Group does not have a representative on the board of the company.

The decline in value of £1,024,000 (2013: £1,304,000) has been recognised in Other Comprehensive Income and, of this, £88,000 (2013: £nil) has been reclassified from Other Comprehensive Income and recognised in the Income Statement, being the amount impaired below historic cost of £5,061,000.

## 22. TRADE AND OTHER RECEIVABLES

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Trade receivables | **9,390** | 15,238 | **356** | 418 |
| Amounts owed by joint venture undertakings | **25,347** | 25,568 | **20,451** | 20,803 |
| Amounts owed by subsidiary undertakings | **-** | - | **470,119** | 304,392 |
| Other receivables | **231** | 292 | **337** | 178 |
| Prepayments and accrued income | **6,042** | 3,244 | **174** | 453 |
| | **41,010** | 44,342 | **491,437** | 326,244 |

Included within Trade receivables of the Group at 31 March 2014 is £6,673,000 (2013: £6,325,000) due in 2015 and 2016 which is shown as a non-current asset in the Balance Sheet. Included within Prepayments and accrued income of the Group is a prepayment of £1,000,000 (2013: £nil) for the purchase of a property due to complete in 2015.

| Receivables | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Fully performing | **35,272** | 42,195 | **490,966** | 325,665 |
| Past due < 3 months | **414** | 311 | **-** | - |
| Past due > 3 months | **194** | 458 | **-** | - |
| Total receivables being financial assets | **35,880** | 42,964 | **490,966** | 325,665 |
| Total receivables being non-financial assets | **5,130** | 1,378 | **471** | 579 |
| Total receivables | **41,010** | 44,342 | **491,437** | 326,244 |

Past due receivables relate to a number of independent customers for whom there is no recent history of default. Against trade receivables, Helical held £1,284,000 of rental deposits at 31 March 2014 (2013: £979,000).

Movements in the provision for impairment of trade receivables are as follows:

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Gross receivables being financial assets | **36,192** | 43,414 | **490,966** | 325,665 |
| Provisions for receivables impairment | **(312)** | (450) | **-** | - |
| Net receivables being financial assets | **35,880** | 42,964 | **490,966** | 325,665 |
| | | | | |
| Receivables written off during the year as uncollectable | **162** | 616 | **-** | - |

## 23. CASH AND CASH EQUIVALENTS

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Rent deposits and cash held at managing agents | **4,107** | 2,788 | **-** | - |
| Restricted cash | **12,721** | 7,327 | **-** | - |
| Cash deposits | **46,409** | 26,748 | **30,376** | 24,035 |
| | **63,237** | 36,863 | **30,376** | 24,035 |

Restricted cash is made up of cash held by solicitors and cash in blocked accounts.

## 24. TRADE AND OTHER PAYABLES

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Trade payables | **11,074** | 7,599 | **323** | 233 |
| Social security costs and other taxation | **4,615** | 2,988 | **-** | - |
| Amounts owed to subsidiary undertakings | **-** | - | **232,788** | 152,435 |
| Other payables | **3,699** | 4,073 | **-** | 71 |
| Accruals | **24,302** | 15,293 | **2,467** | 841 |
| Deferred income | **7,690** | 4,976 | **-** | - |
| | **51,380** | 34,929 | **235,578** | 153,580 |

Included within deferred income is £2,150,000 (£2013: nil) which is due after more than one year.

## 25. BORROWINGS

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Current borrowings | **1,275** | 39,295 | **-** | 6,848 |
| Bank loans repayable within: | | | | |
| - one to two years | **13,904** | 10,811 | **3,540** | - |
| - two to three years | **102,403** | 63,009 | **-** | 4,457 |
| - three to four years | **100,562** | 99,301 | **-** | - |
| - four to five years | **79,083** | 47,325 | **-** | - |
| - five to six years | **-** | - | **-** | - |
| - six to seven years | **78,859** | - | **78,859** | - |
| Non-current debt | **374,811** | 220,446 | **82,399** | 4,457 |

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 £551,876,000 (2013: £394,169,000). These will be repayable when the underlying properties are sold. Bank overdrafts and term loans exclude the Group's share of borrowings in joint venture companies of £42,842,000 (2013: £48,314,000).

## 26. FINANCING AND FINANCIAL INSTRUMENTS

The policies for dealing with liquidity and interest rate risk are noted in the Principle Risks Report on pages 42 to 44.

| | Group 31.3.14 £000 | Group 31.3.13 £000 |
|---|---|---|
| **Bank overdraft and loans - maturity** | | |
| Due after more than one year | **374,811** | 220,446 |
| Due within one year | **1,275** | 39,295 |
| | **376,086** | 259,741 |

The Group has various undrawn committed borrowing facilities. The facilities available at 31 March 2014 in respect of which all conditions precedent had been met were as follows:

| | Group 31.3.14 £000 | Group 31.3.13 £000 |
|---|---|---|
| Expiring in one year or less | **10,000** | 1,877 |
| Expiring in more than one year but not more than two years | **6,335** | 1,694 |
| Expiring in more than two years but not more than three years | **37,735** | 6,074 |
| Expiring in more than three years but not more than four years | **-** | 25,811 |
| Expiring in more than four years but not more than five years | **36,481** | - |
| | **90,551** | 35,456 |

| **Interest rates - Group** | % | Expiry | 31.3.14 £000 | % | Expiry | 31.3.13 £000 |
|---|---|---|---|---|---|---|
| Fixed rate borrowings: | | | | | | |
| - swap rate plus bank margin | **3.958** | **Jan 2015** | **50,000** | 3.958 | Jan 2015 | 50,000 |
| - swap rate plus bank margin | **5.957** | **Jan 2015** | **11,429** | 4.500 | Jan 2015 | 11,874 |
| - swap rate plus bank margin | **4.020** | **May 2018** | **10,800** | - | - | - |
| - swap rate plus bank margin | **5.645** | **Oct 2014** | **6,690** | 5.645 | Oct 2014 | 6,690 |
| - swap rate plus bank margin | **-** | **-** | **-** | 6.240 | Dec 2013 | 10,120 |
| - swap rate plus bank margin | **4.015** | **Jan 2016** | **9,172** | 3.972 | Jan 2016 | 9,172 |
| - swap rate plus bank margin | **4.525** | **Feb 2019** | **75,630** | - | - | - |
| - swap rate plus bank margin | **4.240** | **Nov 2017** | **26,400** | 4.240 | Nov 2017 | 26,400 |
| - swap rate plus bank margin | **4.160** | **May 2015** | **21,375** | 4.117 | May 2015 | 21,375 |
| - Fixed rate retail bond | **6.000** | **Jun 2020** | **80,000** | - | - | - |
| Weighted average | **4.766** | **Dec 2016** | **291,496** | 4.340 | Sep 2015 | 135,631 |
| Floating rate borrowings | **3.476** | **Mar 2017** | **84,590** | 3.312 | Oct 2016 | 124,110 |
| Total borrowings | | | **376,086** | | | 259,741 |

Changes in fixed borrowing rates are the result of stepped increases in interest rate swaps rates. Floating rate borrowings bear interest at rates based on LIBOR.

As at 31 March 2014 and 31 March 2013 the Company's borrowings consist of fixed rate borrowings of £6,690,000 at 5.645% (2013: £6,690,000 at 5.645%) expiring in October 2014 with the remainder being floating rate borrowings.

In addition to the fixed rate borrowings above, the Group has a £75m interest rate swap at 2.0% starting in January 2015 and expiring in January 2020.

### Economic hedging

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

| Instrument | Value £000 | Rate % | Start | Expiry |
|---|---|---|---|---|
| Current: | | | | |
| - cap | 50,000 | 4.000 | Apr 2011 | Apr 2015 |
| - cap | 25,000 | 4.000 | Apr 2011 | Apr 2016 |
| - cap | 50,000 | 4.000 | Jul 2013 | Jul 2016 |
| - cap | 25,000 - 75,000 | 4.000 | Apr 2015 | Jan 2017 |
| - cap | 7,200 | 4.000 | Jan 2012 | Oct 2016 |
| - cap | 11,037 - 10,613 | 4.000 | Jan 2015 | Jan 2016 |

Where a range in capped values is shown, these reflect stepped increases/decreases over the life of the cap.

| Gearing | Group 31.3.14 £000 | Group 31.3.13 £000 |
|---|---|---|
| Total debt | **376,086** | 259,741 |
| Cash | **(63,237)** | (36,863) |
| Net debt | **312,849** | 222,878 |

Net debt excludes the Group's share of debt in joint ventures of £42,842,000 (2013: £48,314,000), and cash of £15,972,000 (2013: £9,793,000).

| | Group 31.3.14 £000 | Group 31.3.13 £000 |
|---|---|---|
| Net assets | **340,527** | 253,768 |
| Gearing | **92%** | 88% |

## 27. SHARE CAPITAL

| | 31.3.14 £000 | 31.3.13 £000 |
|---|---|---|
| Authorised | **39,577** | 39,577 |
| | **39,577** | 39,577 |

The authorised share capital of the Company is £39,576,626.60 divided into ordinary shares of 1p each and deferred shares of 1⁄8p each.

| | 31.3.14 £000 | 31.3.13 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| - 118,137,522 ordinary shares of 1p each | **1,182** | 1,182 |
| - 212,145,300 deferred shares of 1⁄8p each | **265** | 265 |
| | **1,447** | 1,447 |

| | Shares in issue 31.3.14 Number | Share capital 31.3.14 £000 | Shares in issue 31.3.13 Number | Share capital 31.3.13 £000 |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| At 1 April and 31 March | **118,137,522** | **1,182** | 118,137,522 | 1,182 |
| **Deferred shares** | | | | |
| At 1 April and 31 March | **212,145,300** | **265** | 212,145,300 | 265 |

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and,
- to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Capital is defined as being issued share capital, retained earnings, revaluation reserve and other reserves (2014: £333,977,000; 2013: £246,220,000). The Group continually monitors its gearing level to ensure that it is appropriate. Gearing increased from 88% to 92% in the year due to the Group selling some of its non-core properties.

The deferred shares were issued on 23 December 2004 to those shareholders electing to receive a dividend, rather than a capital repayment or further shares in the Company, as part of the Return of Cash approved by shareholders on 20 December 2004. The deferred shares carry no voting rights and have no right to a dividend or capital payment in the event of a winding up of the Company.

The Company's Articles of Association give the Company irrevocable authority to purchase all or any of the deferred shares for a maximum aggregate total of 1 penny for all deferred shares in issue on the date of such purchase.

## 28. SHARE OPTIONS

At 31 March 2014 and 31 March 2013 there were 46,284 (2013: 46,284) unexercised options over new ordinary 1p shares in the Company. No options over purchased ordinary 1p shares held by the ESOP had been granted to directors and employees under the Company's share option schemes (31 March 2013: nil).

The Company uses a stochastic valuation model to value the share options.

| **Summary of share options** | **Number 31.3.14** | **Weighted average exercise Price 31.3.14** | Number 31.3.13 | Weighted average exercise price 31.3.13 |
|---|---|---|---|---|
| At 1 April | **34,713** | **259.25** | 34,713 | 259.25 |
| Options granted in prior years not previously recognised | **11,571** | **259.25** | - | - |
| Options exercised | **-** | **-** | - | - |
| Option expired/lapsed | **-** | **-** | - | - |
| At 31 March | **46,284** | **259.25** | 34,713 | 259.25 |

The share option awards outstanding at 31 March 2014 had a weighted average remaining contractual life of three months.

The outstanding share options are all exercisable at 259.25p per share.

## 29. SHARE-BASED PAYMENTS

The Group provides share-based payments to employees in the form of performance share plan awards and a share incentive plan. The Company uses a stochastic valuation model and the resulting value is amortised through the Income Statement over the vesting period of the share-based payments.

| **Performance share plan awards** | **Awards** | **2014 Weighted average award value** | Awards | 2013 Weighted average award value |
|---|---|---|---|---|
| Outstanding at beginning of period | **9,310,162** | **211p** | 7,230,850 | 277p |
| Awards lapsed during the period | **(2,368,701)** | **276p** | (2,133,222) | 300p |
| Awards made during the period | **2,779,914** | **244p** | 4,212,534 | 167p |
| Outstanding at end of period | **9,721,375** | **215p** | 9,310,162 | 211p |

The performance share plan awards outstanding at 31 March 2014 had a weighted average remaining contractual life of one year three months.

The fair value of the awards made in the year to 31 March 2014 was £6,533,000 (2013: £6,437,000).

The inputs into the stochastic model of valuation of the PSP awards made in the year to 31 March 2014 were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Weighted average share price | **303.2p** | 203.4p | 215.2p |
| Weighted average exercise price | **-** | - | - |
| Expected volatility | **n/a** | n/a | n/a |
| Expected life | **3 years** | 3 years | 3 years |
| Risk free rate | **n/a** | n/a | n/a |
| Expected dividends | **2.20%** | 3.07% | 1.88% |

The Group recognised a charge of £6,333,000 (2013: £1,864,000) during the year in relation to Share-based payments.

At the balance sheet date there were no exercisable awards.

## 30. OWN SHARES HELD

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.

The Trust purchases shares in the Company to satisfy the Company's obligations under its Share Option Schemes and Performance Share Plan. For this purpose, 250,000 shares (2013: nil) in the Company were purchased during the year at a cost of £950,765 (2013: £nil).

At 31 March 2014, unexercised options over nil (2013: nil) ordinary 1p shares in Helical Bar plc had been granted over shares held by the Trust.

At 31 March 2014, outstanding awards over 9,721,375 (2013: 9,310,162) ordinary 1p shares in Helical Bar plc had been made under the terms of the Performance Share Plan over shares held by the Trust.

At 31 March 2014, the Trust held 1,542,000 shares (2013: 1,292,000).

## 31. CONTINGENT LIABILITIES

The Company has entered into cross guarantees in respect of the banking facilities of its subsidiaries. These are not considered to have a material value.

Other than these contingent liabilities there were no contingent liabilities at 31 March 2014 for the Group or the Company (2013: £nil).

## 32. CAPITAL COMMITMENTS

The Group has a commitment to purchase a property for £19.8m in 2015. A prepayment of £1m is included in Trade and other receivables due after one year.

## 33. NET ASSETS PER SHARE

| | 31.3.14 £000 | Number of shares 000s | 31.3.14 pence per share | 31.3.13 £000 | Number of shares 000s | 31.3.13 pence per share |
|---|---|---|---|---|---|---|
| Net asset value | **340,527** | **118,138** | | 253,768 | 118,138 | |
| Less: own shares held by ESOP | | **(1,542)** | | | (1,292) | |
| deferred shares | **(265)** | | | (265) | | |
| Basic net asset value | **340,262** | **116,596** | **292** | 253,503 | 116,846 | 217 |
| Add: share settled bonuses | **-** | **451** | | - | - | |
| Add: unexercised share options | **120** | **46** | | 90 | 34 | |
| Add: dilutive effect of the Performance Share Plan | **7,124** | **3,578** | | 3,649 | 1,824 | |
| Diluted net asset value | **347,506** | **120,671** | **288** | 257,242 | 118,704 | 217 |
| Adjustment for: | | | | | | |
| - fair value of financial instruments | **(243)** | | | 6,048 | | |
| - deferred tax | **2,444** | | | 578 | | |
| Adjusted diluted net asset value | **349,707** | **120,671** | **290** | 263,868 | 118,704 | 222 |
| Adjustment for: | | | | | | |
| - fair value of trading and development properties | **27,479** | | | 49,865 | | |
| Diluted EPRA net asset value | **377,186** | **120,671** | **313** | 313,733 | 118,704 | 264 |
| Adjustment for: | | | | | | |
| - fair value of financial instruments | **243** | | | (6,048) | | |
| - deferred tax | **(2,444)** | | | (578) | | |
| Diluted EPRA triple net asset value | **374,985** | **120,671** | **311** | 307,107 | 118,704 | 259 |

The net asset values per share have been calculated in accordance with the best practice recommendations of the European Public Real Estate Association ("EPRA").

The adjustments to the net asset value comprise the amounts relating to the Group and its share in Joint Ventures.

## 34. RELATED PARTY TRANSACTIONS

At 31 March 2014 and 31 March 2013 the following amounts were due in respect of the Group's joint ventures.

| | At 31.3.14 £000 | At 31.3.13 £000 |
|---|---|---|
| Abbeygate Helical (Leisure Plaza) Ltd | - | 2,736 |
| Abbeygate Helical (C4.1) LLP | - | - |
| King Street Developments (Hammersmith) Ltd | **3,050** | 2,392 |
| Shirley Advance LLP | **4,723** | 4,323 |
| HP Properties Ltd (BVI) | - | - |
| Barts Two Investment Property Ltd | **146** | 152 |
| Helical Sosnica Sp. Zoo | **11,900** | 10,839 |
| 207 Old Street Unit Trust | **1,792** | 1,757 |
| 211 Old Street Unit Trust | **1,701** | 1,456 |
| Old St Retail Unit Trust | **719** | 684 |
| City Road (Jersey) Ltd | **710** | 675 |
| Old Street Holdings LP Ltd | **100** | - |

All movements in joint venture balances related to loans repaid and loans advanced.

At 31 March 2014 and 31 March 2013 there were the following balances between the Company and its subsidiaries.

| | 31.3.14 £000 | 31.3.13 £000 |
|---|---|---|
| Amounts due from subsidiaries | **470,119** | 304,392 |
| Amounts due to subsidiaries | **232,788** | 152,435 |

During the years to 31 March 2014 and 31 March 2013 there were the following transactions between the Company and its subsidiaries:

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Management charges receivable | **8,372** | 3,480 |
| Management charges payable | **6,116** | 83 |
| Interest receivable | **2,837** | 1,574 |
| Interest payable | - | - |

Management charges relate to the performance of management services for the Company or its subsidiaries. Interest receivable relates to interest on loans made by the Company to its subsidiaries. All of these transactions, and the year-end balance sheet amounts arising from these transactions were conducted on an arm's length basis and on normal commercial terms. Amounts owed by subsidiaries to the Company are identified in note 22. Amounts owed to subsidiaries by the Company are identified in note 24.

The Group considers that key management personnel are the directors. The compensation paid or payable to key management is:

| | Year ended 31.3.14 £000 | Year ended 31.3.13 £000 |
|---|---|---|
| Salaries and other short term employee benefits | **8,429** | 5,644 |
| Post employment benefits | - | - |
| Other long-term benefits | **3,330** | 856 |
| Share based payments | **8,154** | 2,634 |
| | **19,913** | 9,135 |

The total dividends paid to directors of the Group in the year was £1,041,000 (2013: £973,322).

During the year purchases of £60,000 (2013: £60,000) were made from a partnership in which Michael Slade, a director of the company, and his wife are partners. All transactions were carried out on an arm's length basis.

## 35. FINANCIAL INSTRUMENTS

### Categories of financial instruments

Financial assets in the Group include derivative financial assets which are designated as 'Fair value through the Profit or Loss'. Financial assets also include trade and other receivables and cash and cash equivalents all of which are included within loans and receivables as well as available-for-sale investments.

Financial liabilities classed as 'Fair value through the Profit or Loss' include derivatives and those liabilities designated as such. Financial liabilities also include secured bank loans and overdrafts, trade and other payables and provisions, all of which are classified as financial liabilities at amortised cost.

## Financial assets and liabilities by category

The financial instruments of the Group as classified in the financial statements can be analysed under the following IAS 39 Financial Instruments: Recognition and Measurement, categories:

| Financial assets | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Loans and receivables | **99,117** | 79,827 | **521,342** | 349,700 |
| Fair value through the Profit or Loss | **1,867** | 146 | **315** | 52 |
| Available-for-sale financial assets | **4,973** | 5,997 | **-** | - |
| Total financial assets | **105,957** | 85,970 | **521,657** | 349,752 |

These financial assets are included in the balance sheet within the following headings:

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Available-for-sale investments | **4,973** | 5,997 | **-** | - |
| Derivative financial instruments | **1,867** | 146 | **315** | 52 |
| Trade and other receivables | **35,880** | 42,964 | **490,966** | 325,665 |
| Cash and cash equivalents | **63,237** | 36,863 | **30,376** | 24,035 |
| Total financial assets | **105,957** | 85,970 | **521,657** | 349,752 |

Financial assets are stated in accordance with IAS 32 Financial Instruments: Presentation.

For fair value of available-for-sale investments see note 21. The carrying value of the trade and other receivables and cash and cash equivalents is deemed not to be materially different from the fair value.

| Financial liabilities | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Fair value through the Profit or Loss | **(9,888)** | (13,379) | **(192)** | (1,027) |
| Measured at amortised cost | **(78,859)** | - | **(78,859)** | - |
| Other financial liabilities | **(331,503)** | (278,491) | **(239,118)** | (164,886) |
| Total financial liabilities | **(420,250)** | (291,870) | **(318,169)** | (165,913) |

These financial liabilities are included in the balance sheet within the following headings:

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Trade and other payables | **(42,591)** | (26,965) | **(235,578)** | (153,581) |
| Borrowings - current | **(1,275)** | (39,295) | **-** | (6,848) |
| Borrowings - non current | **(374,811)** | (220,446) | **(82,399)** | (4,457) |
| Derivative financial instruments | **(1,573)** | (5,164) | **(192)** | (1,027) |
| Total financial liabilities | **(420,250)** | (291,870) | **(318,169)** | (165,913) |

The carrying value of trade and other payables and borrowings is not deemed to be materially different from the fair value. Financial liabilities are stated in accordance with IAS 32.

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale assets, forward exchange contracts and interest rate swaps, caps and floors, and those designated on initial recognition.

Forward foreign exchange contracts are externally measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps, caps and floors are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

IFRS 13 categorises financial assets and liabilities as being valued in 3 hierarchical levels:

- Level 1: values are unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: values are derived from observing market data
- Level 3: values cannot be derived from observable market data

The derivative financial instruments above have been valued using a Level 2 methodology and the available-for-sale investments, which are described in note 21, are classified as Level 3 fair value measurements, being those not based on observable market data. There were no transfers between categories in the current or prior year.

| Derivative financial instruments | Group Year ended 31.3.14 £000 | Group Year ended 31.3.13 £000 | Company Year ended 31.3.14 £000 | Company Year ended 31.3.13 £000 |
|---|---|---|---|---|
| **Derivative financial assets** | | | | |
| Interest rate caps | **133** | 146 | **34** | 52 |
| Interest rate swaps | **1,734** | - | **281** | - |
| | **1,867** | 146 | **315** | 52 |
| **Derivative financial liabilities** | | | | |
| Interest rate swaps | **(1,573)** | (5,164) | **(192)** | (1,027) |
| | **(1,573)** | (5,164) | **(192)** | (1,027) |

The Group's movement in the fair value of the derivative financial instruments in the year was a gain of £5,312,000 (2013: loss of £2,573,000); Company: gain of £1,098,000 (2013: loss of £478,000).

## Credit risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk the Group periodically assesses the financial reliability of customers, taking into account their financial position, past experience and other factors.

As at 31 March 2014 Helical has total credit risk exposure excluding cash of £40,853,000 of which £4,973,000 is available-for-sale assets and £35,880,000 is loans and receivables. Available-for-sale assets are analysed in note 21.

Of the trade receivables held at 31 March 2014, £0.7m related to rent due from tenants which was received post year-end.

All other debtors are deemed to be recoverable.

The Group is not reliant on any major customer for its ability to continue as a going concern.

For further information on trade and other receivables, see note 22.

## Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity and funding risks, related processes and policies are overseen by management.

The Group manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, and through numerous sources of finance in order to maintain flexibility. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows. The Group's cash and cash equivalents are held with major regulated financial institutions and the directors regularly monitor the financial institutions that the group uses to ensure its exposure to liquidity risk is minimised.

For further information on debt facilities, see notes 25 and 26.

The maturity profile of the Group's contracted financial liabilities is as follows:

| | Group 31.3.14 £000 | Group 31.3.13 £000 | Company 31.3.14 £000 | Company 31.3.13 £000 |
|---|---|---|---|---|
| Payable within 3 months | **41,259** | 45,839 | **1,460** | 158,800 |
| Payable between 3 months and 1 year | **13,656** | 28,620 | **3,686** | 2,543 |
| Payable between 1 and 3 years | **156,987** | 95,219 | **10,701** | 5,215 |
| Payable after 3 years | **304,560** | 154,222 | **22,047** | - |
| Total contracted liabilities | **516,462** | 323,900 | **37,894** | 166,558 |

At 31 March 2014 Helical had £91m of undrawn borrowing facilities, £39m of uncharged property assets and cash balances of £63m. The above contracted liabilities assume that no loans are extended beyond their current facility expiry date. The management believe that these facilities, together with anticipated sales and the renewal of some of these loan facilities, mean that the Group can meet its contracted liabilities as they fall due.

## Market risk

The Group is exposed to market risk, primarily related to interest rates, foreign currency exchange movements, the market value of the investments and accrued development profits. The Group actively monitors these exposures.

### Interest rate risk

It is the Group's policy and practice to minimise interest rate cash flow exposures on long-term financing. The Group does this by using a number of derivative financial instruments including interest rate swaps and interest rate caps. The purpose of these derivatives is to manage the interest rate risks arising from the Group's sources of finance. The Group does not use financial instruments for speculative purposes.

Details of financing and financial instruments can be found in note 26.

In the year to 31 March 2014, if interest rates had moved by 0.5%, this would have resulted in the following movement to net profits and equity due to movements in interest charges and mark-to-market valuations of derivatives.

| | Group 31 March 2014 | | Company 31 March 2014 | |
|---|---|---|---|---|
| | Impact on results £000 | Equity impact £000 | Impact on results £000 | Equity impact £000 |
| 0.5% increase - increase in net results and equity | 5,562 | 5,562 | 1,123 | 1,123 |
| 0.5% decrease - decrease in net results and equity | (4,362) | (4,362) | (516) | (516) |

### Foreign currency exchange risk

Due to its operations in Poland and its investment in a non-UK based property developer, the Group has exposure to exchange movements on foreign currencies. Helical's management monitors its exposure to risks associated with foreign currency exchange risk and reviews any requirements to act to minimise these risks.

In the year to 31 March 2014 the Group made foreign exchange losses of £501,000 (2013: gains of £17,000) resulting from movements in foreign exchange rates during the year affecting its assets and liabilities related to its overseas operations.

The Group's balance sheet translation exposure is summarised as follows:

| | 31 March 2014 | | | 31 March 2013 | | |
|---|---|---|---|---|---|---|
| | Euro (£000) | Zloty (£000) | US dollars (£000) | Euro (£000) | Zloty (£000) | US dollars (£000) |
| Gross currency assets | 23,890 | 1,485 | 4,960 | 28,135 | 1,361 | 5,984 |
| Gross currency liabilities | (8,398) | (1,187) | - | (8,921) | (1,112) | - |
| Net exposure | 15,492 | 298 | 4,960 | 19,214 | 249 | 5,984 |

The Company's balance sheet translation exposure is almost exclusively due to intra-group loans and is summarised as follows:

| | 31 March 2014 | | 31 March 2013 | |
|---|---|---|---|---|
| | Euro (£000) | Zloty (£000) | Euro (£000) | Zloty (£000) |
| Gross currency assets | 11,921 | 4,627 | 10,853 | 4,507 |
| Gross currency liabilities | - | - | - | - |
| Net exposure | 11,921 | 4,627 | 10,853 | 4,507 |

The Group's main currency exposure is to the Euro. The sensitivity of the net assets and profit of the Group to a 10% change in the value of the foreign currencies against sterling is Euro: £1,549,000 (2013: £1,921,000), Zloty: £30,000 (2013: £25,000), US dollar: £496,000 (2013: £598,000).

The sensitivity of the net assets and profit of the Company to a 10% change in the value of the foreign currencies against sterling is Euro: £1,192,000 (2013: £1,085,000), Zloty: £463,000 (2013: £451,000).

## 36. POST BALANCE SHEET EVENTS

In April 2014, the Group acquired a portfolio of ten properties for a total consideration of £40.15m, reflecting an 8.35% net initial yield.

On 10 June 2014, the Group announced the issuance of £100m of senior, unsecured guaranteed convertible bonds. The bonds will carry a coupon of 4.00% payable semi-annually in arrears and subject to certain conditions, will be convertible in June 2019 at the option of bondholders into preference shares of the issuer, Helical Bar (Jersey) Limited, which will be automatically and mandatarily exchangeable into fully paid ordinary shares of the Company, unless a cash settlement option is exercised at the discretion of the Company. The initial conversion price has been set at £4.9694 per share.

## 37. PRINCIPAL ACCOUNTING POLICIES

### Basis of consolidation

The Group financial statements consolidate those of Helical Bar plc (the "Company") and all of its subsidiary undertakings (together the "Group") drawn up to 31 March 2014. Subsidiary undertakings are those entities over which the Group has the ability to govern the financial and operating policies through the exercise of voting rights. Subsidiaries are accounted for under the purchase method and are held in the Company balance sheet at cost and reviewed annually for impairment.

Joint Ventures are entities whose economic activities are controlled jointly by the Group and by other ventures independent of the Group and are accounted for using the equity method of accounting, whereby the Group's share of profit after tax in the Joint Venture is recognised in the Consolidated Income Statement and the Group's share of the Joint Venture's net assets are incorporated in the Consolidated Balance Sheet.

The Company's cost of investment in Joint Ventures less any provision for permanent impairment loss is shown in the Company Balance Sheet.

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor joint ventures.

Intra-group balances and any unrealised gains on transactions between the Company and its subsidiaries and between subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### Going concern

The accounts have been prepared on a going concern basis as explained in the Corporate Governance review on page 51.

### Revenue recognition

Rental income - rental income receivable is recognised in the Income Statement on a straight line basis over the lease term. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

Sale of goods - assets, such as trading properties, development sites and completed developments, are regarded as sold upon the transfer of the significant risks and rewards of ownership to the purchaser, in accordance with IAS 18 Revenue. This occurs on exchange of unconditional contracts for the sale of the site, on satisfaction of any and all conditions on a conditional contract for the sale of the site or on completion of the contract on a conditional sale where those conditions are satisfied at completion. Measurements of revenue arising from the sale of such assets are derived from the fair value of the consideration received in accordance with IAS 18 Revenue.

Construction contracts - where an asset is constructed under a specific contract with a purchaser (a "pre-sold development") the initial sale of the site to that purchaser is recognised as a sale of goods in accordance with IAS 18 Revenue, where the sale of the land is not conditional on the construction of the buildings and is not reversible in the event that the building is not constructed. The construction element of the contract is treated, for the purposes of revenue recognition, as a construction contract in accordance with IAS 11 Construction Contracts. Revenue is recognised by reference to the stage of completion which is typically determined by reference to project appraisals, normally supported by independent valuation certificates provided by quantity surveyors. The Company's principal other responsibility on pre-sold developments is the identification of and agreement of terms with potential tenants of the completed building(s). The revenue recognition of this additional component of the funding agreements is considered separately to reflect the substance of the transaction as the rendering of services, in accordance with IAS 18 Revenue. The amount of revenue recognised is determined by reference to the percentage of the building(s) that are let.

Property advisory/development management services - where the Group provides these services to the third party property site owner the Group recognises income over the period these services are provided and in accordance with the specific terms of the contract. If the amount of, and payment of, the consideration for these services are contingent upon a future event (such as sale of the property) and the Group recognises revenue when it has provided the services, it can reliably estimate the fair value of the consideration and upon occurrence of the relevant event, where amounts are receivable in future periods, the amount due is discounted for time and risk.

Investment income - revenue in respect of investment and other income represents investment income, fees and commissions earned on an accruals basis and the fair value of the consideration received/receivable on investments held for the short-term. Dividends are recognised when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Deferred income - money received in advance of the provision of goods or services is held in the balance sheet until the income can be recognised in the Income Statement.

### Share-based payments

The Group provides share-based payments in the form of performance share plan awards and a share incentive plan. These payments are discussed in greater detail in the Directors' Remuneration Report on pages 55 to 67. The fair value of share-based payments related to employees' service are determined indirectly by reference to the fair value of the related instrument at the grant date. All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements. The Group uses the stochastic valuation model and the resulting value is amortised through the Consolidated Income Statement ("Income Statement") over the vesting period of the share-based payments.

For the performance share plan and share incentive plan awards, where non-market conditions apply, the expense is allocated, over the vesting period, to the Income Statement based on the best available estimate of the number of awards that are expected to vest. Estimates are subsequently revised if there is any indication that the number of awards expected to vest differs from previous estimates.

The amount charged to the Income Statement is credited to the Retained Earnings reserve.

On exercise of the performance share plan options, the total cumulative amount recognised in the Income Statement for the options is movement from Retained Earnings to the Share Capital and Share Premium accounts. On lapsing of the performance share plan options, the total cumulative amount recognised in the Income Statement is reversed in the Income Statement and Retained Earnings.

### Depreciation

In accordance with IAS 40 Investment Property, depreciation is not provided for on freehold investment properties or on leasehold investment properties. The Group does not own the freehold land and buildings which it occupies. Costs incurred in respect of leasehold improvements to the Group's head office at 11-15 Farm Street, London W1J 5RS are capitalised and held as short-term leasehold improvements. Leasehold improvements, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Residual values are reassessed annually.

Depreciation is charged so as to write off the cost of assets less residual value, over their estimated useful lives, using the straight line method, on the following basis:

| | |
|---|---|
| Short leasehold improvements | - 10% or length of lease, if shorter |
| Plant and equipment | - 25% |

## Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of those assets and liabilities. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

The deferred tax asset relating to share based payment awards reflects the estimated value of tax relief available on the vesting of the awards at the balance sheet date.

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

The Group recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

a) the Group is able to control the timing of the reversal of the temporary difference; and,

b) it is probable that the temporary difference will not reverse in the foreseeable future.

## Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which dividends are approved.

## Investment properties

Investment properties are properties owned or leased by the Group which are held for long-term rental income and for capital appreciation. Investment properties are initially recognised at cost, including associated transaction costs, and revalued at the balance sheet date to fair value. These fair values are based on market values as determined by professionally qualified external valuers or are determined by the directors of the Group based on their knowledge of the property. In accordance with IAS 40, investment properties held under leases are stated gross of the recognised finance lease liability.

Gains or losses arising from changes in the fair value of investment properties are recognised as gains or losses on revaluation in the Income Statement of the period in which they arise.

In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Property that is being constructed or developed for future use as an investment property is treated as investment property in accordance with IAS 40.

When the Group redevelops an existing investment property for continued future use as investment property, the property remains an investment property measured at fair value and is not reclassified. Interest is capitalised before tax relief until the date of practical completion.

Details of the valuation of investment properties can be found in note 15.

## Land, developments and trading properties.

Land, developments and trading properties held for sale are inventory and are included in the Balance Sheet at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to completion and estimated costs necessary to make the sale.

Gross borrowing costs associated with expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is either based on the interest paid (where a project has a specific loan) or calculated using the Group's weighted average cost of borrowings (where there are no specific borrowings for the project). Interest is capitalised from the date of commencement of the development work until date of practical completion.

## Investments

Available-for-sale investments are revalued to fair value at the balance sheet date. Gains or losses arising from changes in fair value are recognised in the Statement of Comprehensive Income except to the extent that losses are attributable to impairment below historic cost, in which case they are recognised in the Income Statement. Upon disposal, accumulated fair value adjustments are included in the Income Statement.

## Held for sale investments

Investments are defined as held for sale when the Group intends to sell the investment and if sale is highly probable. Such held for sale investments are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell.

## Trade receivables

Trade receivables do not carry any interest and are stated initially at fair value and subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

## Cash and cash equivalents

Cash and cash equivalents are carried in the Balance Sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, cash held at solicitors, cash in blocked accounts and other short-term, highly liquid investments with original maturities of three months or less.

## Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently at amortised cost.

## Borrowing and borrowing costs

Interest bearing bank loans and overdrafts and the Group's retail bond are initially recorded at fair value, net of finance and other costs yet to be amortised in accordance with IAS39. Embedded derivatives contained within the borrowing agreements are treated in accordance with IAS39.

Borrowing costs directly attributable to the acquisition and construction of new developments and investment properties are added to the costs of such properties until the date of completion of the development or investment. After initial recognition borrowings are carried at amortised cost. This treatment has been adopted since transition to IFRS.

Gains or losses on extinguishing debt are recognised in the Income Statement in the period in which they occur.

## Derivative financial instruments

Derivative financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group enters into derivative transactions such as interest rate caps and floors, and forward foreign currency contracts in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are subsequently remeasured to fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the Income Statement.

Further information on the categorisation of financial instruments can be found in note 35.

## Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

In accordance with IAS 40, finance leases of investment property are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the Balance Sheet at fair value, gross of the recognised finance lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

In accordance with IAS17, operating leases receipts are spread on a straight-line basis over the length of the lease.

## Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Income Statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the Statement of Comprehensive Income to the extent that they relate to a gain or loss on that non-monetary item which is included in the Statement of Comprehensive Income, otherwise such gains and losses are recognised in the Income Statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in Other Comprehensive Income. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the Income Statement as part of the gain or loss on disposal.

## Net asset values per share

Net asset values per share have been calculated in accordance with the best practice recommendations of the European Public Real Estate Association ("EPRA").

## Earnings per share

Earnings per share have been calculated in accordance with IAS 33 and the best practice recommendations of EPRA.

## Employee Share Ownership Plan Trust

Shares held in the Helical Bar Employee Share Ownership Plan Trust ("ESOP") are shown as a deduction in arriving at equity funds. Assets, liabilities and reserves of the ESOP are included in the statutory headings to which they relate. Purchases and sales of own shares increase or decrease the book value of "Own shares held" in the Balance Sheet. At each period end the Group assesses and recognises the value of "Own shares held" with reference to the expected cash proceeds and accounts for movement between book value and fair value as a reserves transfer.

## Use of estimates and judgements

To be able to prepare accounts according to the accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring the use of estimates and critical judgement that may significantly impact on the Group's earnings and financial position are:

- recognition of property management/development management service income includes subjective assumptions such as assessment of contingent events and time value of money for future payments (note 2);
- valuation of investment properties, where external valuers are used to provide third party valuations (note 15);
- recognition of share-based payments which is dependent upon the estimated number of performance share plan awards that will vest at the end of the performance periods (note 29);
- calculation and assessment of the recoverability of deferred tax assets, where it has been assumed that sufficient taxable profits will be available in future periods to allow all of the assets to be recovered (note 11);
- the provision for future bonuses payable under the Annual Bonus scheme;
- assessment of whether option and forward contracts entered into by the Group fall within the scope of IAS 39 (note 32). This involves assessing whether a contract can be settled net in cash or whether associated properties are readily convertible into cash;
- assessment of whether forward sales meet the criteria for revenue recognition of IAS18 (note 2). In particular, whether the inflow of future economic benefits is probable or not;
- valuation of the investment in a property developer which is based on a valuation method (note 21); and
- directors' valuation of land, development and trading properties include subjective assumptions including the results of future planning decisions and future sales values and timings (note 20).

# FIVE YEAR REVIEW

## CONSOLIDATED INCOME STATEMENTS

| | 31.3.14 £000 | 31.3.13 £000 | 31.3.12 £000 | 31.3.11 £000 | 31.3.10 £000 |
|---|---|---|---|---|---|
| **Revenue** | **123,637** | 65,439 | 52,968 | 119,059 | 67,354 |
| Net rental income | **24,402** | 19,578 | 17,876 | 14,187 | 14,151 |
| Development profit/(loss) | **62,273** | 7,616 | 5,166 | (1,729) | 8,748 |
| Provisions against stock | **552** | (660) | (4,511) | (14,913) | (10,041) |
| Trading profit/(loss) | **252** | (1) | - | (367) | (10) |
| Share of results of joint ventures | **16,448** | 3,854 | 2,472 | 2,886 | 3,745 |
| Other income/(expense) | **230** | (547) | 113 | (358) | 26 |
| **Gross profit/(loss) before gain/(loss) on investment properties** | **104,157** | 29,840 | 21,116 | (294) | 16,619 |
| Gain/(loss) on sale of investment properties | **8,611** | (2,388) | (376) | 4,842 | (4,909) |
| Revaluation surplus/(deficit) on investment properties | **20,714** | 3,723 | 3,664 | 2,670 | 13,104 |
| Impairment of available-for-sale investments | **(88)** | - | - | (1,817) | - |
| Administrative expenses excluding performance related awards | **(8,816)** | (8,092) | (7,385) | (7,312) | (7,202) |
| Performance related awards | **(17,860)** | (6,828) | (415) | 262 | (1,478) |
| Finance costs | **(13,983)** | (9,577) | (8,409) | (6,992) | (9,328) |
| Finance income | **4,135** | 887 | 583 | 652 | 1,039 |
| Movement in fair value of derivative financial instruments | **5,312** | (2,573) | (306) | 1,776 | 1,157 |
| Foreign exchange (losses)/gains | **(501)** | 17 | (1,064) | (67) | (1,127) |
| **Profit/(loss) before tax** | **101,681** | 5,009 | 7,408 | (6,280) | 7,875 |
| Tax | **(14,126)** | 815 | 158 | 2,391 | 1,711 |
| **Profit/(loss) after tax** | **87,555** | 5,824 | 7,566 | (3,889) | 9,586 |

| | 31.3.14<br>£000 | 31.3.13<br>£000 | 31.3.12<br>£000 | 31.3.11<br>£000 | 31.3.10<br>£000 |
|---|---|---|---|---|---|
| See-through property portfolio at fair value | **801,712** | 626,425 | 572,670 | 532,158 | 495,114 |
| See-through net borrowings | **369,644** | 286,314 | 279,999 | 241,988 | 228,682 |
| Shareholders' funds | **340,527** | 253,768 | 253,730 | 255,397 | 242,607 |
| Dividend per ordinary share | **5.70p** | 5.25p | 4.90p | 2.00p | 7.25p |
| Special dividend per ordinary share | **-** | - | - | - | - |
| Diluted EPRA earnings/(loss) per ordinary share | **32.5p** | 2.4p | 3.4p | (6.4p) | 2.9p |
| Diluted adjusted EPRA net assets per share | **313p** | 264p | 250p | 253p | 272p |

# SEE THROUGH ANALYSIS

## SEE-THROUGH NET RENTAL INCOME AND PROPERTY OVERHEADS

Helical's share of the gross rental income, head rents payable and property overheads from property assets held in subsidiaries and in joint ventures are shown in the table below.

| | | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|---|
| Gross rental income | – subsidiaries | 18,881 | 18,590 | 23,058 | 25,816 | **29,994** |
| | – joint ventures | 1,106 | 5,531 | 6,645 | 6,193 | **6,601** |
| Total gross rental income | | 19,987 | 24,121 | 29,703 | 32,009 | **36,595** |
| Rents payable | – subsidiaries | (12) | (24) | (418) | (342) | **(476)** |
| | – joint ventures | (406) | (1,000) | (848) | (802) | **(625)** |
| Property overheads | – subsidiaries | (3,732) | (3,662) | (3,938) | (5,186) | **(4,328)** |
| | – joint ventures | - | (941) | (737) | (510) | **(539)** |
| Net rental income attributable to profit share partner | | (986) | (717) | (826) | (710) | **(788)** |
| **See-through net rental income** | | 14,851 | 17,777 | 22,936 | 24,459 | **29,839** |

## SEE-THROUGH DEVELOPMENT PROFITS

Helical's share of development profits from property assets held in subsidiaries and in joint ventures are shown in the table below.

| | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|
| In parent and subsidiaries | 8,748 | (1,729) | 5,166 | 7,616 | **62,273** |
| In joint ventures | 430 | - | - | - | **2,199** |
| Total gross development profit | 9,178 | (1,729) | 5,166 | 7,616 | **64,472** |
| Provision against stock | (10,041) | (14,913) | (4,511) | (660) | **552** |
| **See-through development profits** | (863) | (16,642) | 655 | 6,956 | **65,024** |

## SEE-THROUGH NET GAIN ON SALE AND REVALUATION OF INVESTMENT PROPERTIES

| | | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|---|
| Revaluation surplus on investment properties | – subsidiaries | 13,104 | 2,670 | 3,664 | 3,723 | **20,714** |
| | – joint ventures | - | 798 | 581 | 3,109 | **15,710** |
| Total revaluation surplus | | 13,104 | 3,468 | 4,245 | 6,832 | **36,424** |
| Net (loss)/gain on sale of investment properties | – subsidiaries | (4,909) | 4,842 | (376) | (2,388) | **8,611** |
| | – joint ventures | - | - | - | - | **(31)** |
| Total net (loss)/gain on sale of investment properties | | (4,909) | 4,842 | (376) | (2,388) | **8,580** |
| **See-through net gain on sale and revaluation of investment properties** | | 8,195 | 8,310 | 3,869 | 4,444 | **45,004** |

## SEE-THROUGH NET FINANCE COSTS

Helical's share of the interest payable, finance charges, capitalised interest and interest receivable on bank borrowings and cash deposits in subsidiaries and in joint ventures are shown in the table below.

| | | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|---|
| Interest payable on bank loans and overdrafts | – subsidiaries | 10,956 | 9,690 | 10,808 | 10,445 | **14,298** |
| | – joint ventures | 492 | 1,704 | 2,223 | 2,269 | **3,051** |
| Total interest payable on bank loans and overdrafts | | 11,448 | 11,394 | 13,031 | 12,714 | **17,349** |
| Other interest payable and similar charges | – subsidiaries | 1,568 | 1,481 | 901 | 1,658 | **2,520** |
| Interest capitalised | – subsidiaries | (3,196) | (4,179) | (3,300) | (2,526) | **(2,835)** |
| Total finance costs | | 9,820 | 8,696 | 10,632 | 11,846 | **17,034** |
| Interest receivable and similar income | – subsidiaries | (1,039) | (652) | (583) | (887) | **(4,135)** |
| | – joint ventures | (2) | (11) | (12) | (66) | **(539)** |
| **See-through net finance costs** | | 8,779 | 8,033 | 10,037 | 10,893 | **12,360** |

## SEE-THROUGH PROPERTY PORTFOLIO

Helical's share of the investment, trading and development property portfolio in subsidiaries and joint ventures are shown in the table below.

| | | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|---|
| Investment property | – subsidiaries | 219,901 | 271,876 | 326,876 | 312,026 | **493,201** |
| | – joint ventures | 45,300 | 65,870 | 67,187 | 94,962 | **107,504** |
| Total investment property | | 265,201 | 337,746 | 394,063 | 406,988 | **600,705** |
| Trading and development stock | – subsidiaries | 182,576 | 147,542 | 99,741 | 92,874 | **98,160** |
| | – joint ventures | 14,346 | 14,434 | 44,324* | 76,698* | **75,368*** |
| Total trading and development stock | | 196,922 | 161,976 | 144,065 | 169,572 | **173,528** |
| Trading and development stock surplus | – subsidiaries | 32,991 | 32,436 | 33,107 | 48,837 | **25,719** |
| | – joint ventures | - | - | 1,435 | 1,028 | **1,760** |
| Total trading and development stock surpluses | | 32,991 | 32,436 | 34,542 | 49,865 | **27,479** |
| Total trading and development stock at fair value | | 229,913 | 194,412 | 178,607 | 219,437 | **201,007** |
| **See-through property portfolio** | | 495,114 | 532,158 | 572,670 | 626,425 | **801,712** |

*Trading and development stock of joint ventures includes the Group's share of development stock of Helical Sosnica Sp. Zoo (see note 19).

## SEE-THROUGH NET BORROWINGS

Helical's share of borrowings and cash deposits in parent and subsidiaries and joint ventures are shown in the table below.

| | | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | **2014 £000** |
|---|---|---|---|---|---|---|
| In parent and subsidiaries | – gross borrowings less than one year | 72,459 | 37,500 | 59,203 | 39,295 | **1,275** |
| | – gross borrowings more than one year | 170,229 | 199,917 | 203,992 | 220,446 | **374,811** |
| | Total | 242,688 | 237,417 | 263,195 | 259,741 | **376,086** |
| In joint ventures | – gross borrowings less than one year | 1,852 | 3,100 | 1,500 | 720 | **12,453** |
| | – gross borrowings more than one year | 27,900 | 36,936 | 54,342* | 72,509* | **60,134*** |
| | Total | 29,752 | 40,036 | 55,842 | 73,229 | **72,587** |
| In parent and subsidiaries | Cash and cash equivalents | (39,800) | (31,327) | (35,411) | (36,863) | **(63,237)** |
| In joint ventures | Cash and cash equivalents | (3,958) | (4,138) | (3,627) | (9,793) | **(15,792)** |
| **See-through net borrowings** | | 228,682 | 241,988 | 279,999 | 286,314 | **369,644** |

*Gross borrowings in joint ventures include the Group's share of borrowings of Helical Sosnica Sp. Zoo (see note 19).

# PROPERTY PORTFOLIO

## INVESTMENT PORTFOLIO

### London offices

| Address | Description | Area sq ft (NIA) | Vacancy rate |
|---|---|---|---|
| Shepherds Building, Shepherds Bush, London W14 | Multi-let office building. Let to media companies | 151,000 | 1% |
| Barts Square, London EC1 | NHS buildings with planning consent for 225,500 sq ft office, 215 residential apartments and 21,800 sq ft retail/leisure | 420,000 | 4% |
| The Bower, 207 Old Street, London, EC1 | Office and retail buildings undergoing refurbishment and extension | 284,000 | 56% |
| New Loom House, London E1 | Multi-let office building soon to undergo refurbishment | 112,000 | 24% |
| Maple House, London EC1 | Office refurbishment scheme due for completion in June 2015 | 50,000 | 100% |
| Artillery Lane, London E1 | 17,000 sq ft office building with refurbishment potential | 17,000 | 9% |
| Clifton Street, London EC2 | Contract to buy a newly constructed office building following completion in summer 2015 | 43,000 | n/a |
| Enterprise House, London W2 | Office building let to Network Rail for 20 years | 45,000 | 0% |
| One King Street, London W6 | Recently refurbished office and retail building adjacent to Hammersmith Broadway | 35,000 | 0% |
| The Powerhouse, Chiswick, London W4 | Single let music recording/office building | 24,000 | 0% |
| | | **1,181,000** | |

### Regional offices

| Address | Description | Area sq ft (NIA) | Vacancy rate |
|---|---|---|---|
| Churchgate and Lee House, Manchester | Multi-let city centre office building, Manchester with refurbishment and asset management potential | 250,000 | 27% |
| Fordham, Newmarket | Single let research and development facility | 70,000 | 0% |
| The Hub, Pacific Quay, Glasgow | Multi-let office building | 60,000 | 7% |
| Manor Royal, Crawley | Single let office building | 48,000 | 0% |
| Manor Park, Reading | Office building let to Thames Water | 36,000 | 0% |
| Phoenix House, Oldham | Offices let to the Secretary of State | 60,000 | 0% |
| Osprey House, Castle Donnington | Offices let to National Grid | 25,000 | 0% |
| Albert Edward House, The Pavillions, Preston | Multi-let office building | 39,000 | 30% |
| St. Mary's Court, 55 St. Mary's Road, Sheffield | Single let office building | 15,000 | 0% |
| | | **603,000** | |

### Industrial

| Address | Description | Area sq ft (NIA) | Vacancy rate |
|---|---|---|---|
| Dales Manor Business Park, Sawston Cambridge | Industrial and office park | 19,000 | 11% |
| Winterhill Industrial Estate, Milton Keynes | Town centre industrial estate | 25,000 | 0% |
| Walkmill Lane, Cannock | Single let warehouse | 147,000 | 0% |
| Unit 1, Centrum 100, Burton Upon Trent | Single let distribution centre | 93,000 | 0% |
| Unit 7 Badby Park, Newnham Drive, Daventry | Single let distribution centre | 45,000 | 0% |
| Aspect, Nottinghamshire Way, West Moor, Doncaster | Single let distribution centre | 123,000 | 0% |
| Sandal Stones Road, Doncaster | Single let warehouse | 154,000 | 0% |
| Meridian South, Leicester | Single let distribution centre | 66,000 | 0% |
| Unit B, Swift Park, Rugby | Single let distribution centre | 45,000 | 0% |
| Calver Quay, Calver Road, Warrington | Two single let warehouse | 71,000 | 0% |
| | | **788,000** | |

**Retail**

| Address | Description | Area sq ft (NIA) | Vacancy rate |
|---|---|---|---|
| The Morgan Quarter, Cardiff | Prime retail parade and listed retail arcades with residential above | 226,000 | 5% |
| 78-104 Town Square, Basildon | High street retail parade with offices above | 54,000 | 14% |
| The Guineas, Newmarket | Town centre shopping centre | 142,000 | 5% |
| Idlewells Shopping Centre, Sutton in Ashfield | Covered town centre shopping centre | 143,000 | 1% |
| Corby Town Centre, Corby | Town centre including modern shopping centre, original High Street, retail park and residential | 781,000 | 4% |
| Clyde Shopping Centre, Clydebank | Town centre shopping centre | 625,000 | 4% |
| Huddersfield Retail Park, Huddersfield | Retail park | 97,000 | 0% |
| Otford Retail Park, Sevenoaks | Retail park | 42,000 | 0% |
| Ty-glas Road, Cardiff | Single-let DIY store | 42,000 | 0% |
| Upton Road, Birkenhead | Out of town supermarket | 16,000 | 0% |
| Beckett Street, Doncaster | Out of town supermarket | 7,000 | 0% |
| Penny Street, Lancaster | Town centre bank branch | 14,000 | 0% |
| Unicorn Hill, Redditch | Pub let to JD Wetherspoons | 12,000 | 0% |
| | | **2,201,000** | |

## DEVELOPMENT PROGRAMME

**Offices**

| Address | Area sq ft (NIA) | Fund/owner | Helical interest | Type of development |
|---|---|---|---|---|
| Creechurch Place, London EC3 | 273,000 | Helical/HOOPP | 100% | Existing building demolished. Starting on site in 2014 |
| St Vincent Street, Glasgow | 220,000 | M&G Investments | Dev Man | Creation of new office headquarters with local partner |
| Botleigh Grange, Hedge End Southampton | 23,000 | Helical | 100% | New build regional HQ office |
| | **516,000** | | | |

**Industrial**

| Address | Area sq ft (NIA) | Fund/owner | Helical interest | Type of development |
|---|---|---|---|---|
| Ropemaker Park, Hailsham | 3,217 | Helical | 90% | New build - completed |
| | 3,217 | | | |

**Retail**

| Address | Area sq ft (NIA) | Helical interest | Type of development |
|---|---|---|---|
| Parkgate, Shirley, West Midlands | 158,000 | 50% | Consented food store, retail and residential. Construction underway. |
| C4.1 Milton Keynes | 33,000 | 50% | Remaining retail and office units, part let |
| Leisure Plaza, Milton Keynes | 161,000 | 50% | Construction of an 80,000 sq ft supermarket, 33,000 retail and the refurbishment of an existing ice-rink |
| | **352,000** | | |

**Retirement villages**

| Address | Units | Helical interest | Type of development |
|---|---|---|---|
| Bramshott Place, Liphook, Hampshire | 151 | 100% | 138 units sold, 5 under offer. Construction of all phases completed |
| Durrants Village, Faygate, Horsham | 171 | 100% | 10 units exchanged or completed, 12 under offer. First phase under construction |
| Millbrook Village, Exeter | 164 | 100% | First phase under construction, 17 units reserved |
| Maudslay Park, Great Alne, Warwickshire | 150 | 100% | First phase under construction, 5 units reserved |
| | **636** | | |

**Change of use potential**

| Address | Area | Helical interest | Type of development |
|---|---|---|---|
| Cawston, Rugby | 32 acres | 100% | Site with planning consent to build 250 open market homes |
| Arleston, Telford | 19 acres | 100% | 19 acre greenfield site with residential potential |
| | **51 acres** | | |

**Developments**

| Address | Area sq ft (NIA) | Helical interest | Type of development |
|---|---|---|---|
| King Street, Hammersmith, London W6 | 357,000 | 50% | Planning permission received for residential, office, retail and leisure scheme |
| | **357,000** | | |

**Retail - Poland**

| Address | Area sq ft (NIA) | Fund/owner | Helical interest | Type of development |
|---|---|---|---|---|
| Park Handlowy Mlyn, Wroclaw | 103,000 | Helical | 100% | Completed development, fully let |
| Europa Centralna, Gliwice | 720,000 | Helical/ Standard Life | 50% | Completed development |
| | **823,000** | | | |

# SHAREHOLDER INFORMATION

The report and financial statements, share price information, Company presentations, the financial calendar, corporate governance, contact details and other investor information on the Group are available in the 'Investors' and 'About us' areas of our website www.helical.co.uk.

## REGISTRAR

All general enquiries concerning holdings of ordinary shares in Helical Bar plc should be addressed to the Company's Registrar:

Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Telephone: 0871 664 0300*
Fax: 020 8639 2220
From outside the UK +44(0) 20 8639 3399

Website: www.capitaassetservices.com
Email: shareholder.services@capita.co.uk

* calls cost 10p per minute plus network extras. Lines are open between 9.00 a.m. and 5:30 p.m., Monday to Friday.

## E-COMMUNICATION

Shareholders and all interested parties may choose to be alerted about updates to the Financial Reports, Results, Press Releases and Event Calendar sections of the Group's website by subscribing to the Alert Service in the 'News' area of our website at www.helical.co.uk.

## PAYMENT OF DIVIDENDS

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should complete a mandate instruction available from the Registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

## DIVIDENDS FOR SHAREHOLDERS RESIDENT OUTSIDE THE UK

Instead of waiting for a sterling cheque to arrive by mail, you can ask us to send your dividends direct to your bank account. For information, contact the Company's Registrar.

## DIVIDEND REINVESTMENT PLAN (DRIP)

The Company offers shareholders the option to participate in a DRIP. This enables shareholders to reinvest their cash dividends in Helical Bar plc shares.

For further details, contact the Company's Registrar.

For participants in the DRIP, key dates of forthcoming dividends can be found in the online financial calendar in the 'Investors' area at www.helical.co.uk.

## SHAREGIFT

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to a charity, ShareGift, (registered charity 1052686), which specialises in using such holdings for charitable benefit.

Further information about ShareGift is available at www.sharegift.org or by writing to: ShareGift, PO Box 72253, London, SW1P 9LQ.
Email: help@sharegift.org. Telephone: 020 7930 3737.

## DIVIDENDS

Dividend payment dates on the Company's Ordinary 1p shares in 2013 were as follows:

| Dividend | Record date | Payment date | Amount |
|---|---|---|---|
| 2012/13 Final | 5 July 2013 | 26 July 2013 | 3.70p |
| 2013/14 Interim | 6 December 2013 | 27 December 2013 | 2.00p |

Dividend payment dates in 2014 will be as follows:

| Dividend | Record date | Payment date | Amount |
|---|---|---|---|
| 2013/14 Final | 4 July 2014 | 30 July 2014 | 4.75p |
| 2014/15 Interim | December 2014 | December 2014 | |

## UNSOLICITED INVESTMENT ADVICE - WARNING TO SHAREHOLDERS

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. It is not just the novice investor who has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the Company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FCA (Financial Conduct Authority) before getting involved.
  You can check at www.fca.org.uk/consumers.
- Report the matter to the FCA either by calling 0800 111 6768 or by completing an online form at:

  www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams/reporting-form.

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Also keep in mind that some fraudsters use the name of genuine firms or individuals on the FCA Register to suggest that they are legitimate. However, authorised firms are unlikely to contact you out of the blue offering to buy or sell shares.

## SHARE PRICE INFORMATION

The latest information on the Helical Bar plc share price is available on our website www.helical.co.uk.

## REGISTERED OFFICE

11-15 Farm Street, London, W1J 5RS
Registered in England and Wales No. 156663.

# GLOSSARY OF TERMS



| | |
|---|---|
| **Average unexpired lease term** | The average unexpired lease term expressed in years. |
| **Capital value (psf)** | The open market value of the property divided by the area of the property in square feet. |
| **Company or Helical** | Helical Bar plc. |
| **Diluted EPRA earnings per share** | Earnings per share adjusted to exclude losses/gains on sale and revaluation of investment properties and their deferred tax adjustments, the tax on loss/profit on disposal of investment properties, trading property losses/profits, impairment of available-for-sale investments and fair value movements on derivative financial instruments, on a diluted basis. Details of the method of the calculation of the diluted EPRA earnings per share are available from EPRA. |
| **Diluted EPRA net assets per share** | Diluted net asset value per share adjusted to exclude fair value of financial instruments and deferred tax on capital allowances and on investment properties revaluation, but including the fair value of trading and development properties in accordance with the best practice recommendations of EPRA. |
| **Diluted EPRA triple net asset value per share** | Diluted EPRA net asset value per share adjusted to include fair value of financial instruments and deferred tax on capital allowances and on investment properties revaluation. |
| **Diluted figures** | Reported amounts adjusted to include the effects of potential shares issuable under the employee share option schemes. |
| **Earnings per share (EPS)** | Profit after tax divided by the weighted average number of ordinary shares in issue. |
| **EPRA** | European Public Real Estate Association. |
| **Equivalent yield** | The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value. Assumes rent is received in arrears. |
| **Estimated rental value (ERV)** | The market rental value of lettable space as estimated by the Group's valuers at each balance sheet date. |
| **Gearing** | The normal value of Group borrowings expressed as a percentage of net assets |
| **Group** | Helical Bar plc and its subsidiaries. |
| **Initial yield** | Annualised net rents on investment properties as a percentage of the investment property valuation. |
| **IPD** | The Investment Property Databank Limited (IPD) is a company that produces a number of independent benchmarks of unleveraged commercial property returns. |
| **Net assets value per share (NAV)** | Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date. |
| **Net gearing** | Total borrowings less short-term deposits and cash as a percentage of equity shareholders' funds. |
| **Passing rent** | The annual gross rental income excluding the net effects of straightlining lease incentives. |
| **Reversionary** | The income/yield from the full estimated rental value of the property on the market value of the property grossed up to include purchaser's costs, capital expenditure and capitalised revenue expenditure. |
| **See-through** | The net rental income, net finance cost, property portfolio and net borrowings of the Group and the Group's share in its Joint Ventures. |
| **Total property return** | The total of net rental income, trading and development profits and net gain on sale and revaluation of investment properties on a See-through basis. |
| **Total return** | Growth in EPRA NAV plus dividends paid. This can be expressed as a percentage of EPRA NAV per share at the beginning of the period. |
| **Total shareholder return (TSR)** | The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period expressed as a percentage of the share price at the beginning of the period. |
| **True equivalent yield** | The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value. Assumes rent is received quarterly in advance. |
| **Unleveraged returns** | Total property gains and losses (both realised and unrealised) plus net rental income expressed as a percentage of the total value of the properties. |

# FINANCIAL CALENDAR

| | |
|---|---|
| **Year ended 31 March 2014** | Annual General Meeting to be held on 25 July 2014 |
| **Final ordinary dividend payable** | 30 July 2014 |
| **Half year ending 30 September 2014** | Results and interim ordinary dividend announced November 2014<br>Interim ordinary dividend payable December 2014 |
| **Year ending 31 March 2015** | Results and final dividend announced May 2015<br>Final ordinary dividend payable July 2015 |

# ADVISORS

| | |
|---|---|
| **Registrars** | Capita Asset Services |
| **Bankers** | Aareal Bank AG<br>Barclays Bank PLC<br>Deutsche Bank AG<br>Deutsche Hypothekenbank AG<br>Deutsche Pfandbriefbank AG<br>HSBC Bank plc<br>The Royal Bank of Scotland plc |
| **Joint stockbrokers** | J.P. Morgan Cazenove<br>Oriel Securities Limited |
| **Auditors** | Grant Thornton UK LLP |
| **Merchant bankers** | Lazard & Co., Limited |
| **Corporate solicitors** | Ashurst LLP |

**Design: SG Design {sg-design.co.uk}**

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**Helical Bar plc**

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