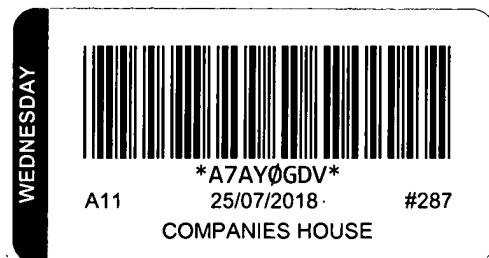


HELICAL



## 2 STRATEGIC REPORT

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**Our newly refocused and reprioritised portfolio  
is a select showcase for London and Manchester.**

We create buildings for today's occupiers who demand more inspiring space with distinctive architectural detail, carefully curated public realm, market leading amenities, high quality management and our flexible approach to leasing.

Applying this philosophy we seek to maximise Shareholder returns through delivering income growth from creative asset management and capital gains from our development activity as we continue to drive the future vision of Helical.

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# FINANCIAL HIGHLIGHTS

## EPRA NET ASSET VALUE PER SHARE

**468p**

|      |      |
|------|------|
| 2017 | 473p |
| 2016 | 456p |

## EPRA TRIPLE NET ASSET VALUE PER SHARE

**448p**

|      |      |
|------|------|
| 2017 | 442p |
| 2016 | 424p |

## NET ASSETS

**£533.9m**

|      |         |
|------|---------|
| 2017 | £516.9m |
| 2016 | £480.7m |

## PROFIT BEFORE TAX

**£30.8m**

|      |         |
|------|---------|
| 2017 | £41.6m  |
| 2016 | £114.0m |

## EPRA (LOSS)/EARNINGS PER SHARE

**(7.0)p**

|      |       |
|------|-------|
| 2017 | 0.5p  |
| 2016 | 17.1p |

## TOTAL DIVIDEND PER SHARE

**9.50p**

|      |       |
|------|-------|
| 2017 | 8.60p |
| 2016 | 8.17p |

## SEE-THROUGH PORTFOLIO VALUE

**£909.6m**

|      |           |
|------|-----------|
| 2017 | £1,205.2m |
| 2016 | £1,240.0m |

## TOTAL PROPERTY RETURN

**£68.8m**

|      |         |
|------|---------|
| 2017 | £79.9m  |
| 2016 | £164.6m |

## PORTFOLIO RETURN - IPD (1 YEAR)

**11.1%**

|      |       |
|------|-------|
| 2017 | 9.4%  |
| 2016 | 21.7% |

## TOTAL SHAREHOLDER RETURN (1 YEAR)

**6.1%**

|      |        |
|------|--------|
| 2017 | -18.0% |
| 2016 | 1.0%   |

## INTEREST COVER RATIO

**1.3x**

|      |      |
|------|------|
| 2017 | 2.6x |
| 2016 | 5.4x |

## SEE-THROUGH LOAN TO VALUE

**39.9%**

|      |       |
|------|-------|
| 2017 | 51.4% |
| 2016 | 55.0% |

## A PORTFOLIO TRANSFORMED

This year has seen the completion of Helical's transformation into a London and Manchester office investment and development company.

### PORTFOLIO 2018

|              |     |
|--------------|-----|
| 1 LONDON     | 86% |
| 2 MANCHESTER | 11% |
| 3 NON-CORE   | 3%  |

### KEY ACQUISITIONS

|                                                                                                |                                                                                     |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Farringdon East, London EC1<br>89,000 sq ft above the<br>Farringdon East Crossrail<br>station. | Trinity Court, Manchester<br>59,019 sq ft full refurbishment<br>and roof extension. |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|

### KEY DISPOSALS

|                     |                  |
|---------------------|------------------|
| Retirement villages | Regional retail  |
| Logistics           | Regional offices |
| C Space, London EC1 |                  |

### PORTFOLIO 2017

|                          |     |
|--------------------------|-----|
| 1 LONDON                 | 63% |
| 2 MANCHESTER             | 6%  |
| 3 LOGISTICS              | 13% |
| 4 OTHER REGIONAL OFFICES | 2%  |
| 5 REGIONAL RETAIL        | 7%  |
| 6 RETIREMENT VILLAGES    | 9%  |

## PERFORMANCE OVERVIEW

### LONDON PORTFOLIO

**89,000 sq ft**

office development started above Farringdon East Crossrail Station.

**4.2%**

valuation increase, on a like-for-like basis, of our see-through London investment portfolio, valued at £700m at 31 March 2018.

Contracted rents on our see-through London portfolio at 31 March 2018, including pre-lets at The Bower, increased to

**£28.4m**

(2017: £27.9m).

Letting of 69% of One Creechurch Place, EC3, generating

**£10.2m**

of our development management profit share. A further 5% has been let since the year end.

**29,635 sq ft**

of space at The Tower, The Bower, EC1 has been let since the year end to an existing tenant of Phase One.

Exchanged contracts for sale of

**133/144**

residential units in Phase One of Barts Square EC1.

Development of Phase Two has commenced with contracts exchanged on

**22/92**

units in this phase.

Sold C Space, EC1 for

**£73.1m**

crystallising the £35.6m profit made since its acquisition.

At 25 Charterhouse Square EC1, the building achieved practical completion in March 2017 and was fully let

**<2 years**

after it was acquired.

### MANCHESTER PORTFOLIO

**10.8%**

valuation increase, on a like-for-like basis, of our Manchester investment portfolio, valued at £98m as at 31 March 2018.

Contracted rents on the Manchester portfolio at 31 March 2018 increased to

**£4.7m**

(2017: £4.1m).

In Manchester, at 35 Dale Street

**62%**

was let during the year as the complete refurbishment progressed, with a further 27% let post year end.

In May 2017, Trinity Court, Manchester was acquired for

**£13.5m**

The building is undergoing a full refurbishment and extension.

## OPERATIONAL AND FINANCIAL PERFORMANCE

**£180m**

received from the sale of all logistics assets, a 14.5% premium to book value.

Sale of the retirement village portfolio for

**£102m**

a discount of 13.5% to book value.

Investment property disposals of

**£349m**

in the year at 6.2% above book value.

41 new office lettings in London of

**268,336 sq ft**

during the year, generating £16.6m (£5.7m our share) of rental income at 8.1% above 31 March 2017 ERVs.

10 office lettings in Manchester of

**79,657 sq ft**

occurred in the year generating rental income of £1.3m at 10.8% above 31 March 2017 ERVs.

Capital expenditure of

**£104m**

incurred on our office development programme, with £76m remaining to be expended in 2018-2020.

**294,000 sq ft**

of office developments under construction for delivery in 2018/19.

Retail assets at Morgan Quarter, Cardiff, Great Yarmouth and Southend sold for

**£73m**

a premium to book value of 4.6%.

See-through loan to value reduced to

**39.9%**

(31 March 2017: 51.4%).

Average maturity of the Group's share of debt of

**3.0 years**

(31 March 2017: 3.6 years)

at an average cost of

**4.3%**

(31 March 2017: 4.3%).

Group's share of cash and undrawn bank facilities at 31 March 2018

**£277m**

(31 March 2017: £267m).

Repaid our 6.0% £80m retail bond with an £8.7m redemption premium, reducing future interest payments by £11.1m, a net saving of

**£2.4m**

## TRANSFORMATION COMPLETED

GERALD KAYE  
CHIEF EXECUTIVE

Offering flexible lease arrangements to suit our market, carefully curated public realm and well managed, market-leading amenities, we continue to deliver our vision of Helical.

### EPRA NAV

**468p**

(31 March 2017: 473p)

### GAIN ON SALE AND REVALUATION OF INVESTMENT PROPERTIES

**£40.7m**  
**+ 5.5%**

### PROFIT BEFORE TAX

**£30.8m**

(2017: £41.6m)

### TOTAL DIVIDEND FOR YEAR

**9.50p**  
**+ 10.5%**

I am pleased to present the Company's 2018 Annual Report.

### TRANSFORMATION COMPLETED

The results for the year to 31 March 2018 reflect the completion of the transformation of the Helical Group over the last two years from a multi-sector, geographically spread UK property company, into an office-led investment and development company focused purely on London and Manchester. During this two-year period, Helical has sold £484m of investment property (2018: £328m) for gross proceeds of £507m (2018: £349m) at a net profit of £15.0m (2018: £13.6m). We have exited the logistics, retail and retirement village sectors whilst investing £144m (2018: £84m) in our London portfolio and £24m (2018: £19m) in Manchester and reducing see-through loan to value from 55.0% to 39.9% (2017: 51.4%). As at 31 March 2018, the Group owned eight London and four Manchester assets with three remaining non-core properties either subsequently sold or being marketed for sale. This compares to 75 separate assets two years ago.

The majority of the Group's performance in the year has again come from our schemes in London, where we have now increased our weighting to 86%, with 11% in Manchester and the remaining non-core assets representing just 3% of the portfolio.

### RESULTS FOR THE YEAR

Profit before tax for the year to 31 March 2018 was £30.8m (2017: £41.6m). Total Property Return reduced to £68.8m (2017: £79.9m) and included net rents of £36.1m (2017: £47.0m). Lettings at One Creechurch Place, London EC3, enabled the Group to recognise development profits of £10.2m in the year. However, a loss of £13.0m on the sale of the retirement villages portfolio plus provisions of £4.1m (2017: £12.8m) turned this profit into a net development loss of £8.0m (2017: £5.7m). The gain on sale and revaluation of the investment portfolio contributed £40.7m (2017: £38.6m).

Net finance costs of £35.2m were substantially higher than in 2017 (£21.2m) and included an £8.7m premium payable on the repayment of the Group's £80m Retail Bond. This redemption, made 27 months before the Bond was due for repayment, will save annual interest costs of £4.8m. The Income Statement benefitted from the shortening of the maturity period for the Group's remaining interest rate swaps and an increase in medium and long-term interest rates which led to a £4.0m credit (2017: £0.8m) arising from the valuation of the Company's derivative financial instruments. The revaluation of the Company's Convertible Bond provided a charge of £1.6m (2017: credit of £3.0m). Recurring administration

costs were marginally higher at £11.0m (2017: £10.8m). Performance related awards were substantially lower at £1.7m (2017: £6.9m) with National Insurance on these awards of £0.1m (2017: £0.7m).

The reduction in annual finance costs from the repayment of debt during the year coupled with recent action taken to reduce performance related administration costs both contribute to lower central costs going forward. With net rental income increasing towards an ERV for the portfolio of £60m over the next few years, the Board is confident that the Group's earnings will increase significantly in the near future. This expectation has led the Board to recommend to Shareholders an increase in the final dividend of 12.9% to 7.00p (2017: 6.20p) which, together with the interim dividend of 2.50p paid in December 2017, takes the total dividend for the year to 9.50p (2017: 8.60p), an overall increase of 10.5%.

#### PERFORMANCE

We measure our performance at both portfolio and Company level, seeking to outperform the relevant sector indices and our peer group in the medium and long term.

IFRS basic earnings per share reduced to 22.3p (2017: 34.0p) with EPRA loss per share of 7.0p (2017: earnings of 0.5p), reflecting a fall in net rental income and increased development losses in the year following the sale of a third of the investment portfolio and the retirement village portfolio. On a like-for-like basis, the investment portfolio increased by 4.5% (5.0% including sales and purchases). Sales during the year offset this growth in values contributing to an overall reduction in the portfolio value to £910m (31 March 2017: £1,205m). The unleveraged return of our property portfolio, as measured by IPD, was 11.1% (2017: 9.4%), compared to 9.3% (2017: 4.4%) for the benchmark index. Total Accounting Return, being the increase in Shareholders' Funds before dividends, was 5.3% (2017: 8.3%). EPRA net asset value per share was down 1.1% to 468p (31 March 2017: 473p), with EPRA triple net asset value per share up 1.4% to 448p (31 March 2017: 442p).

#### FINANCE

The Company uses gearing on a tactical basis throughout the property cycle, being raised to accentuate performance when property returns are judged to materially outperform the cost of debt and lowered when seeking to reduce exposure to the property market.

During the year to 31 March 2018, the Group sold £328m of investment properties and £156m of development stock whilst exiting the industrial, retail and retirement village sectors. These sales, net of investment in the portfolio of £172m, were used to reduce net borrowings by £262m, significantly reducing future finance costs.

The transformation of the Group has allowed us to significantly reduce our gearing levels with our see-through loan to value ratio ("LTV") down from 55.0% two years ago to 39.9% at the year end (31 March 2017: 51.4%) and 37.1% on a pro-forma basis, taking into account the deferred consideration from the sale of the retirement village portfolio due in November 2018. Our see-through net gearing, the ratio of net borrowings to the net asset value of the Group, has fallen from 142% to 68% (31 March 2017: 120%) over the same period.

During the year, the average debt maturity reduced to 3.0 years (31 March 2017: 3.6 years), with no secured loan repayable before November 2019, whilst maintaining the average cost of debt at 4.3% (31 March 2017: 4.3%). The Company has a significant level of liquidity with cash and unutilised bank facilities of £277m (31 March 2017: £267m) to fund capital works on its portfolio and future acquisitions.

#### BOARD MATTERS

In February 2018, the Group announced that Michael Slade will step down from his role as Chairman of Helical at the 2019 AGM and Richard Grant, current Chairman of the Audit and Risk Committee, was appointed his successor and Deputy Chairman until he assumes the role of Chairman next year. In addition, Richard Cotton succeeded Richard Gillingwater as Senior Independent Director. Richard Gillingwater has indicated that he will not seek re-election as a Non-Executive Director at the 2018 AGM. On behalf of the whole Board, I would like to thank Richard for his commitment, support and guidance during his six years on the Board of Helical.

#### THE FUTURE

We believe that London will remain the best source of potential capital gains and development profits for the foreseeable future with Manchester being the most dynamic regional city in the UK. Our ongoing focus is on maximising the potential of our current portfolio, both in terms of generating development and valuation surpluses but also on capturing the ERV of the assets we own to ensure a sustainable surplus of rental income over all costs. We also continue to seek exciting opportunities to add to our portfolio of assets, a recent example being the over-ground development of the Farringdon East Elizabeth Line Station. Our much-reduced gearing levels have increased the Group's firepower and balance sheet capacity significantly and will enable us to add to our pipeline of opportunities in the future.

Our newly refocused and reprioritised portfolio is a select showcase for London and Manchester. We create buildings for today's occupiers who demand more inspiring space with distinctive architectural detail, carefully curated public realm, market leading amenities, high quality management and our flexible approach to leasing. Applying this philosophy, we seek to maximise Shareholder returns through delivering income growth from creative asset management and capital gains from our development activity as we continue to drive the future vision of Helical.

**GERALD KAYE**  
Chief Executive

24 May 2018

# HELICAL'S BUSINESS MODEL

We aim to deliver market-leading returns by developing customer focused and design led properties and letting them to diverse tenants on flexible terms, then applying a proactive approach to asset management.

### RESOURCES IN

#### Property

A high quality portfolio of land, buildings and identified future opportunities.

#### People and Culture

A motivated, qualified and experienced team.

#### Market Expertise

Comprehensive knowledge of the markets in which we operate, built through multiple property cycles.

#### Relationships and Reputation

An extensive network of joint venture partners, advisors, and industry contacts.

A long-standing reputation for speed of execution and excellence in delivery.

#### Financing

A strong financial position with access to a variety of sources of funds, from Shareholder capital to external borrowings.

### INITIAL PLANNING

#### ASSET SELECTION

##### ACQUISITION

Locate assets with significant development or asset management potential, in London and Manchester.

#### STRUCTURE AND FUNDING

##### LONG TERM

Use our own capital combined with external debt where we see value in holding the asset for long-term income and capital growth.

##### SHORT-MEDIUM TERM

Identify a joint venture partner, limiting our capital commitment and risk exposure, whilst linking our return to performance.

Manage the project on behalf of the joint venture, sharing in the profit on the successful sale or letting, with limited equity invested.

### CORE ACTIVITIES

## DEVELOP

We actively manage our assets throughout their development, working with trusted suppliers and focusing on quality, efficiency and safety.

## ASSET MANAGE

Through proactive asset management we drive the rental value forward while maximising occupancy.

## LET

We look to let our properties on flexible terms to a diverse tenant base who are financially robust.

### VALUE CREATION

#### RENTAL VALUE

Value creation through rent collection and valuation gains.

**£68.8m**

TOTAL PROPERTY RETURN

#### EXIT

Sale at the right point in the market or upon completion of projects, recycling capital into new opportunities or repayment of debt/return of equity.

**£13.6m**

GAIN ON SALE OF INVESTMENT PROPERTIES

### RESOURCES OUT

#### Property

Innovative and design focused properties with attractive public realm. A portfolio of diversified, robust tenants.

**£909.6m**

SEE-THROUGH PORTFOLIO VALUE

#### People and Culture

A motivated, qualified and more experienced team.

**530**

TRAINING AND DEVELOPMENT HOURS

#### Market Expertise

Greater market, product and customer knowledge.

**94%**

OF TENANTS SURVEYED WERE PLEASED TO BE IN OUR BUILDINGS

#### Relationships and Reputation

Enhanced reputation in the industry and deeper relationships that will unlock new opportunities.

**89,000 sq ft**

NEW OFFICE DEVELOPMENT AT FARRINGTON EAST, EC1

#### Financing

Capital growth through capturing rental income, valuation gain and development profit. Long-term Shareholder returns, including a growing dividend stream.

**6.1%**

TOTAL SHAREHOLDER RETURN

**9.50p**

TOTAL DIVIDEND PER SHARE

**MATTHEW BONNING-SNOOK**  
PROPERTY DIRECTOR

### EXAMINING THE MARKET TRENDS AND OPPORTUNITIES

#### OVERVIEW

Helical's core business is developing and owning dynamic, well located office space in London and Manchester. With intelligent stock selection, we aim to maximise returns by development and refurbishment as well as through significant asset management initiatives.

## LONDON

In our judgement, the London commercial property market continues to provide the best source of potential capital profits and we expect this to remain the case for the foreseeable future, notwithstanding the risks associated with our exit from the European Union, the impact of a potential future change in Government or other headwinds.

In order for Helical to generate capital profits the Company needs to identify those areas where it believes tenant demand is, or will become, strong and to source opportunities in those areas at an appropriate entry price. Equally important, we need to provide a working environment suited to the needs of our customers, the tenants. Using the skills, knowledge and expertise gained over many years, the Helical team aims to deliver attractive and exciting office space, in locations with growing tenant demand. In a low growth environment, stock selection needs to reflect the granular characteristics that will attract our target market.

The Company has based its investment decisions in London on three continuing major developments in the office market. First, the growth of the London population; second, the continuing and rapid expansion of the creative industries, predominantly in technology and media; and third, the migration of occupiers from the West End to the City and East London. To this should be added a fast-growing market in flexible leasing.

London's population reached 8.7 million in 2015 and is forecast to continue growing towards 10 million by 2030. Whilst this growth will present challenges to London, particularly in terms of its infrastructure, the opening of the Elizabeth Line at the end of 2018 will assist in alleviating these problems. Our properties in the City and Tech Belt are all in locations that will benefit from this new rail link.

The UK is a global leader in the creative industries and we have targeted these industries with our portfolio. In London, companies involved in media, advertising and marketing, technology and other creative industries comprised 59% of our new lettings in the year to 31 March 2018 (2017: 54%).

The third factor influencing our choice of location for our portfolio is the migration of occupiers across Central London to the City and East London. The desire to be part of creative hubs, surrounded by like-minded individuals, located a short travelling distance from home is a common theme in discussing requirements with tenants. Most obviously, those hubs are in the Tech Belt from King's Cross to Whitechapel.

Finally, the growth of flexible leasing is having a profound effect on the commercial office letting market in London and is beginning to spread to regional cities. At Helical we seek early and continued engagement with tenants and look to develop long standing relationships with them. By offering flexible leases which allow them to occupy space commensurate with their requirements we target long-term retention of our customers.

In London, Helical has been building up a portfolio of multi-tenanted office buildings in the Tech Belt locations of Farringdon, the Old Street roundabout and Whitechapel, and also in West London from Chiswick to Shepherd's Bush. By owning these "clusters" or "villages" of office buildings the Company now has a portfolio of assets with multiple lease events leading to ongoing asset management opportunities.

The Company is also seeking to expand its portfolio by taking on additional schemes in Central London either by co-investment or by forward selling/funding them, to allow for the generation of profit shares and development management fees but with reduced balance sheet exposure.

## 59%

New lettings comprised companies involved in media, advertising and marketing, technology and other creative industries.

# MANCHESTER

We believe Manchester presents an attractive opportunity for us outside London given its strong economic and employment growth record and future forecasts. High graduate retention rates demonstrate its appeal to Generation Y and it is rapidly becoming known as the second tech city behind London with more TMT take-up than any other.

Manchester has seen rapid growth and change over the past 20 years and this is forecast to continue. From 2002 to 2015, Manchester city centre experienced population growth of 149%, the largest increase of any regional city. As the population has increased so has the growth of jobs giving companies access to a deep and highly skilled talent pool in a cost-effective location both for the employer and the employee.

Annual office take-up is consistently in excess of 1m sq ft, with high profile new occupiers coming to the city on a frequent basis and Manchester is now the leading UK creative location outside London by some margin. This has resulted in the city offering high quality office buildings and a diverse occupier base, leading to significant international and institutional investment over the past few years. In Manchester we have four assets with a potential capital value, after all refurbishment works and lettings are concluded, of c.£110m. These buildings are designed to attract these occupiers and are located across the city centre. Each is specific in their offering, location, size and rental tone but with the opportunity for Helical to apply the skills, knowledge and property expertise gained over many years in London. Once complete, the portfolio of multi-tenanted office buildings will provide Helical with a resilient income stream outside London.

## TECH LED

Manchester has rapidly become recognised as the second tech city behind London. The Tech Nation 2017 report estimated that Manchester supported 62,652 digital jobs creating an output of £2.8 billion per annum.

The Manchester office market has seen more TMT take-up in the last 17 years

than any other city outside London and, as a parallel to the "tech-belt" in London, areas of the city which were previously viewed as being fringe now offer opportunities to find value and create flexible design led workspace which will be the "future core" of the growing city centre.

## LOOKING FORWARD

Our ambition is to have a balanced portfolio that generates sufficient net rental income to exceed all of our recurring costs and provide a surplus significantly greater than our annual dividend to Shareholders. We have an ERV on the portfolio, post recent sales, of £60.3m and expect to generate this surplus once all of our current development and asset management activities are completed. We also seek a pipeline of opportunities to grow the balance sheet through the creation of development profits and capital surpluses.

## ERV OF PORTFOLIO

# £60.3m

# HELICAL'S STRATEGY

### PORTFOLIO

**Manage a balanced portfolio** with clear market focus, combining assets with significant development and asset management potential with high yielding property for income.

A focus on London and Manchester, delivering income growth from asset management and capital gains from development activity.

Locate sites where complexity presents opportunity to add significant value through innovative development and asset management.

Maximise income through attracting a diverse and financially robust portfolio of tenants.

Continue a culture that is committed to the highest standards in Health & Safety.

Improve the communities in which we are active and ensure sustainability underpins our approach.

#### Performance Measures

- Total property return
- ERV and contracted rental income
- Vacancy rate
- WAULT

#### Principal Associated Risks

- Property values decline/reduced tenant demand for space
- Inability to asset manage, develop and let property assets
- Health and Safety/Bribery and corruption risk
- The Group's strategy is inconsistent with the market
- The Group carries out significant development projects
- Property acquisitions or disposals are linked to criminal activities

### CAPITAL

**Operate a sustainable capital structure** in which the core business costs are covered by income from the investment portfolio. Use gearing on a tactical basis throughout the cycle to accentuate returns.

Maintain an appropriate risk-adjusted LTV.

Use of "equity lite" structures to maximise returns.

Strong banking relationships for quick access to finance at competitive pricing.

Build cash reserves to weather current climate and take advantage of opportunities as they arise.

#### Performance Measures

- LTV
- Gearing
- Average cost of debt and maturity
- Interest cover ratio
- Cash and undrawn bank facility levels

#### Principal Associated Risks

- Availability of bank borrowing and cash resources
- Breach of loan covenants
- Increase in cost of borrowing
- Political risk

## Our newly refocused and reprioritised portfolio is a select showcase for London and Manchester.

We create buildings for today's occupiers who demand more inspiring space with distinctive architectural detail, carefully curated public realm, market leading amenities, high quality management and our flexible approach to leasing.

Applying this philosophy we seek to maximise Shareholder returns through delivering income growth from creative asset management and capital gains from our development activity as we continue to drive the future vision of Helical.

### PEOPLE

**Attract and retain the best people** encouraging their development and progression to ensure future succession is secured.

**Maintain our excellent reputation and network** of trusted partners and advisors.

Small and empowered core team supported by valued advisers to allow scalability.

Clear plan for succession.

Strong relationships and a reputation which generates off-market opportunities.

A trusted team of external consultants to enable us to deliver quickly and to a very high standard.

Work with joint venture partners to increase project scale and to manage risk.

#### Performance Measures

- Training and development days per employee

#### Principal Associated Risks

- Employment and retention of key personnel
- Poor management of stakeholder relations
- Reliance on key contractors and suppliers
- Disruptions to business from failure of Information Technology systems
- Modern Slavery and Human Trafficking
- General Data Protection Regulation

### KEY PERFORMANCE INDICATORS

We incentivise management to outperform the Group's competitors by setting appropriate levels for performance indicators against which rewards are measured.

#### EPRA NAV

**468p**

#### EPRA NAV CAGR (3 YEARS)

**6.7%**

#### TOTAL SHAREHOLDER RETURN (1 YEAR)

**6.1%**

#### PORTFOLIO RETURN - IPD (1 YEAR)

**11.1%**

#### AVERAGE EMPLOYEE SERVICE

**7.9 yrs**

#### AVERAGE STAFF TURNOVER

**15.2%**

#### ADDITIONAL PERFORMANCE MEASURES

#### EPRA LOSS PER SHARE

**7.0p**

#### TOTAL ACCOUNTING RETURN

**5.3%**

## KEY PERFORMANCE INDICATORS

We measure our performance using a number of financial and non-financial key performance indicators ("KPIs").

### EPRA NET ASSET VALUE PER SHARE

#### DESCRIPTION

The Group's main objective is to maximise growth in net asset value per share which we seek to achieve through increases in investment portfolio values and from retained earnings from other property related activity. EPRA net asset value per share is the property industry's preferred measure of the proportion of net assets attributable to each share as it includes the fair value of net assets on an ongoing long-term basis. The adjustments to net asset value to arrive at this figure are shown in note 33 to the financial statements.

#### PERFORMANCE

The diluted net asset value per share, excluding trading stock surplus, at 31 March 2018 increased by 3.2% to 445p (31 March 2017: 431p). Including the surplus on valuation of trading and development stock and adjusting for the fair value of derivatives and deferred taxation, the EPRA net asset value per share at 31 March 2018 reduced by 1.1% to 468p (31 March 2017: 473p). EPRA triple net asset value per share at 31 March 2018 increased by 1.4% to 448p (31 March 2017: 442p).

#### LINK TO REMUNERATION

##### Director Bonuses

The calculation of the Directors' bonuses under the Annual Bonus Scheme 2016 is based on a model where Directors share in the profits generated by the Company's property activities. As these are the same profits that drive increases in EPRA NAV, the Directors' bonuses are strongly aligned to this performance measure.

##### Performance Share Plan

A third of the Performance Share Plan ("PSP") vesting criteria is based on compound growth in net asset value ("NAV") over three years, so these awards are directly linked to this performance measure.

IFRS DILUTED NAV

**445p**

EPRA NAV

**468p**

### INVESTMENT PROPERTY DATABANK

#### DESCRIPTION

The Investment Property Databank ("IPD") produces a number of independent benchmarks of property returns that 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, which it has consistently achieved.

#### PERFORMANCE

Helical's ungeared performance for the year to 31 March 2018 was 11.1% (2017: 9.4%) compared to the IPD benchmark of 9.3% (2017: 4.4%) and upper quartile benchmark of 12.0% (2017: 6.9%).

Helical's trading and development portfolio (9.3% 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.

#### LINK TO REMUNERATION

##### Performance Share Plan

A third of the PSP vesting criteria is based on performance compared with the IPD so these awards are directly linked to this performance measure.

We incentivise management to outperform the Group's competitors by setting appropriate levels for performance indicators against which rewards are measured. We also design our remuneration packages to align management's interests with Shareholders' aspirations. Key to this is the monitoring and reporting against identifiable performance targets and benchmarks.

## TOTAL SHAREHOLDER RETURN

### DESCRIPTION

Total Shareholder Return is a measure of the return on investment for Shareholders. It combines share price appreciation and dividends paid to show the total return to the Shareholder expressed as an annualised percentage.

### PERFORMANCE

The Total Shareholder Return in the year to 31 March 2018 was 6.1% (2017: (18.0%)).

### LINK TO REMUNERATION

#### Performance Share Plan

A third of the PSP vesting criteria is based on performance against the FTSE 350 Super Sector Real Estate Index, excluding storage companies and agencies. These awards are therefore directly linked to this performance measure.

## AVERAGE LENGTH OF EMPLOYEE SERVICE AND STAFF TURNOVER

### DESCRIPTION

High levels of staff retention remain a key feature of Helical's business. The Group retains a highly skilled and experienced team. We assess our success based on two key metrics, the average length of service of the Group's head office employees and average staff turnover.

### PERFORMANCE

The average length of service of the Group's head office employees at 31 March 2018 was 7.9 years and the average staff turnover during the year to 31 March 2018 was 15.2%.

### LINK TO REMUNERATION

#### Director Bonuses

Under the rules of the Annual Bonus Scheme 2016 a third of the bonuses are settled in deferred shares, which are required to be held for a period of three years.

#### Performance Share Plan

These awards have a three-year vesting period and the Directors are required to hold them for a further two years after they vest.

### AVERAGE LENGTH OF EMPLOYEE SERVICE

# 7.9 years

BEFORE

[01]

**1. Top to bottom**

Flexible workspaces were created through extensive modernisation. The addition of an extra floor helped increase the overall floorspace by 12,000 sq ft.

# REIMAGINING BUILDINGS

The retrofit of the 1960s former carpet factory substantially remodelled the building into a stylish commercial development with flexible designed spaces that celebrate its industrial heritage.

BEFORE

[02]

**2. Inviting spaces**

The unloved courtyard space has been transformed into a tranquil place to relax and enjoy.

Dec 2017

Profit after sales costs

**£35.6m**

Oct 2015

Re-modelling Cost



**£19.1m**

May 2014

June 2013

Purchase Price

**£17.5m**

BEFORE

**3. Light fantastic**  
We opened up the space by reglazing the building and adding floor to ceiling glass at street level.

[03]

## C SPACE VALUE CREATION STORY

### ACQUIRE

- Former data centre purchased in June 2013 for £17.5m.
- Planning application submitted within three months of purchase.
- Planning permission obtained within six months of submission.

### DEVELOP

- Move reception away from the busy City Road to a new pavilion within the rear courtyard to create a "wow" factor.
- Enable pedestrian permeability through the site with newly created public realm.
- Increase glazing to the façade with floor to ceiling glass at ground floor and cutting the slab back to allow light into the basement.
- Pull back the building by one bay to give breathing space to the adjoining listed John Wesley House.
- Add an additional floor increasing the overall floorspace by 12,000 sq ft through a more efficient arrangement of the core and staircases.
- Add terraces and balconies for each floor maximising tenant amenity space.
- Create a building with modern, flexible and efficient floorplates with contemporary finishes and ample cycle and shower provisions.

### LET

- 75% pre-let to the creative agency MullenLowe and the remainder let to leading technology product and service provider, NeuLion, within 12 months of completion.

### EXIT

- C Space was sold to Meadow London Core-Plus Fund LP in December 2017 for a net £73.1m crystallising a profit to Helical of £35.6m.

### OUR BUSINESS MODEL

**P.8**

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## ONE CREECHURCH PLACE VALUE CREATION STORY

### DEVELOP

In May 2014, Helical signed a joint venture agreement with HOOPP (Healthcare of Ontario Pension Plan) to develop 272,127 sq ft of Grade A office space and 786 sq ft of retail.

In line with one of the core tenets of the business model, the development was carried out in a 10:90 joint venture with HOOPP, limiting the capital commitment and risk exposure whilst maximising return by linking it to performance.

### JOINT VENTURE INVESTMENT

# 10:90

The building achieved practical completion on 7 November 2016.

### LET

At 31 March 2018 it was 69% let, with the letting of a further 5% secured after the year end.

The successful lettings in the year have allowed Helical to recognise £10.2m of development management fee income with further profit to be taken once future lettings are achieved.

### CURRENT OCCUPATION

# 74%

[01]

[02]

#### 1. The welcome

The generous reception combines a high quality and sophisticated entrance experience with a café and collaborative space.

#### 2. Vibrant surroundings

The building benefits from new public realm, access to Aldgate Square and excellent transport links with eight stations within a five minute walk.

#### 3. Stand-out amenities

There are 500 bicycle spaces, 500 lockers and 29 showers.

The building has also achieved BREEAM Excellent and Wired Score Platinum.

# THE HEART OF EC3

An elegant and sharply designed new headquarters.



# REPOSITIONING ASSETS

The repositioning of a Grade 2 listed wool warehouse into a modern award winning workplace in one of London's emerging creative quarters.

March 2018 Valuation

**£85.8m**

Sept 2016 Renovation Costs

**£12.3m**



July 2015

July 2013 Purchase Price

**£35.9m**

[02]

BEFORE

## 1. Cultural expression

Removal of 80's stair core and overhaul of dated reception to create a contemporary arrival and breakout space, with bespoke plinths housing artwork by The Cass, London Metropolitan University.

## 2. A new focal point

Five storey atrium, flooding the common parts with natural light and playful mural, a representation of the vibrant creative scene and history of the building.

[01]

## THE LOOM VALUE CREATION STORY

### ACQUIRE

- Former wool warehouse purchased in July 2013 for £35.9m (£300 psf).
- 85% let off an average rent of £18.25 psf.
- Poorly managed in an improving location.

### DEVELOP

- New entrance created onto cobbled Gowers Walk looking towards Goodmans Fields and linking through to retained entrance on Back Church Lane.
- Comprehensively refurbish unsympathetic 1980's reception.
- Introduction of café to breathe life into common parts and enhance the sense of destination and place.
- Consolidation of several spaces to create three large self-contained units to allow greater diversity of occupation.
- Incorporation of additional facilities including bike store, communal showers and lockers.
- Rolling refurbishment of dated office space to include air conditioning, new lighting, raised floors and kitchenettes.
- Carefully phased programme retaining occupancy at 78% throughout the works generating a significant income return.
- RIBA National Award Winner 2017.
- Brick Award Winner 2016.

### LET

- 83% let off an average contracted rent of £43 psf.
- Hugely competitive all-in occupational costs of sub £75 psf.
- Highest rent achieved £55 psf in December 2017.
- 76% of office units now refurbished.

BEFORE

**3. Distinctive architectural detail**  
The new Gowers Walk Entrance with highly crafted woven metal gates and brickwork finishes.

[03]

**1. Collaborative  
communal spaces**

The small and unwelcoming reception has been extended giving communal space back to tenants for meetings and flexible working.

**2&3. Creative  
workspace**

The tired and convoluted office space has been stripped back to the original warehouse structure to create inviting workspace.

**4. Location**

The Northern Quarter is ever increasing in popularity to tech and creative businesses. 35 Dale Street perfectly fits the needs of these types of occupiers.

[01]

[03]

# CREATING CONTEMPORARY WORKSPACE

The careful refurbishment of this historic Grade 2 listed building has repositioned the asset from tired, unimaginative office space into a vibrant and modern workplace for Manchester's new tech and creative industries.

## 35 DALE STREET VALUE CREATION STORY

[04]

BEFORE

[02]

### ACQUIRE

- Multi-let office building purchased March 2015 for £7.4m.
- Asset management strategies created to actively obtain space back from existing tenants to implement development strategy.
- Contracted rents at acquisition of £504,000, at an average rent of £9.40 psf.

### DEVELOP

- During 2016 lease surrenders were achieved across 50,000 sq ft of office space facilitating the refurbishment of full floor plates and communal areas. Only two tenants retained from purchase with a combined area of 3,200 sq ft.
- Remodel reception to create welcoming environment and communal breakout space for tenants.
- Introduce a new coffee shop accessible from the main building reception but also with public access from Tariff Street.
- Create a modern, efficient and contemporary workspace set within a listed asset.
- Refurbishment works commenced January 2017. To date 43,000 sq ft of workspace has been refurbished with the final 6,000 sq ft due to complete in June 2018.

### LET

- 100% of refurbished space pre-let. 30% rental growth within the nine-month letting period.
- During the financial year the building became 62% let with an additional 10% being let post year end with a new headline rent of £23.50 psf. 17% of the remaining space is exchanged on agreement for leases with the final lower ground floor unit (6,000 sq ft) due to be marketed from June 2018.
- Looking forward, the asset is already highly reversionary.

# £1,113,000

Projected ERV when fully let, an average rent of £20.90 psf.

# PORTFOLIO OVERVIEW

Helical divides its property activities into two core markets: London and Manchester offices. Following the sale of all of the logistics assets, C Space and the retirement village portfolio, the London portfolio represents 86% of the total property portfolio and Manchester offices 11%. Whilst there are structural differences in these markets, Helical has found that its business model can be applied successfully to each, driving capital growth, development profits and rental income.

In addition, at 31 March 2018 we had a small portfolio of non-core assets comprising two regional offices and one regional retail property that together represented 3% of the total property portfolio. Subsequent to the year end we have exchanged contracts to sell the office in Reading at its book value of £8.3m.

## TOTAL PROPERTY PORTFOLIO

**£909.6m**

## TOTAL PROPERTY RETURN

**£68.8m**

## HELD AS INVESTMENT PROPERTIES

**90.7%**

## TOTAL PORTFOLIO BY FAIR VALUE

**£909.6m**

## PORTFOLIO 2018

|              |         |
|--------------|---------|
| 1 LONDON     | £778.6m |
| 2 MANCHESTER | £98.0m  |
| 3 NON-CORE   | £33.0m  |

# TOTAL PORTFOLIO BY FAIR VALUE

|                                     | Investment<br>£m | %            | Development<br>£m | %            | Total<br>£m  | %            |
|-------------------------------------|------------------|--------------|-------------------|--------------|--------------|--------------|
| London Offices                      |                  |              |                   |              |              |              |
| Completed, let and available to let | 488.6            | 59.2         | 14.3              | 16.9         | 502.9        | 55.3         |
| Being redeveloped                   | 211.3            | 25.6         | -                 | -            | 211.3        | 23.2         |
| Land held for sale                  | -                | -            | 5.3               | 6.2          | 5.3          | 0.5          |
| Held for future development         | -                | -            | 0.1               | 0.1          | 0.1          | 0.1          |
| London Residential                  | -                | -            | 59.0              | 69.6         | 59.0         | 6.5          |
| <b>Total London</b>                 | <b>699.9</b>     | <b>84.8</b>  | <b>78.7</b>       | <b>92.8</b>  | <b>778.6</b> | <b>85.6</b>  |
| Manchester Offices                  |                  |              |                   |              |              |              |
| Completed, let and available to let | 83.4             | 10.1         | -                 | -            | 83.4         | 9.2          |
| Being redeveloped                   | 14.6             | 1.8          | -                 | -            | 14.6         | 1.6          |
| <b>Total Core Portfolio</b>         | <b>797.9</b>     | <b>96.7</b>  | <b>78.7</b>       | <b>92.8</b>  | <b>876.6</b> | <b>96.4</b>  |
| Regional Offices                    | 16.7             | 2.1          | -                 | -            | 16.7         | 1.8          |
| Regional Retail                     | 10.0             | 1.2          | 3.5               | 4.1          | 13.5         | 1.5          |
| Land                                | 0.2              | -            | 2.6               | 3.1          | 2.8          | 0.3          |
| <b>Total Non-Core Portfolio</b>     | <b>26.9</b>      | <b>3.3</b>   | <b>6.1</b>        | <b>7.2</b>   | <b>33.0</b>  | <b>3.6</b>   |
| <b>TOTAL</b>                        | <b>824.8</b>     | <b>100.0</b> | <b>84.8</b>       | <b>100.0</b> | <b>909.6</b> | <b>100.0</b> |

## TRADING AND DEVELOPMENT PORTFOLIO

|                                 | Book value<br>£m | Fair value<br>£m | Surplus<br>£m | Fair value<br>% |
|---------------------------------|------------------|------------------|---------------|-----------------|
| London Offices                  | 19.7             | 19.7             | -             | 23.2            |
| London Residential              | 57.3             | 59.0             | 1.7           | 69.6            |
| <b>Total London</b>             | <b>77.0</b>      | <b>78.7</b>      | <b>1.7</b>    | <b>92.8</b>     |
| Manchester Offices              | -                | -                | -             | -               |
| <b>Total Core Portfolio</b>     | <b>77.0</b>      | <b>78.7</b>      | <b>1.7</b>    | <b>92.8</b>     |
| Regional Retail                 | 3.5              | 3.5              | -             | 4.1             |
| Land                            | 2.0              | 2.6              | 0.6           | 3.1             |
| <b>Total Non-Core Portfolio</b> | <b>5.5</b>       | <b>6.1</b>       | <b>0.6</b>    | <b>7.2</b>      |
| <b>TOTAL</b>                    | <b>82.5</b>      | <b>84.8</b>      | <b>2.3</b>    | <b>100.0</b>    |

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# THE LONDON PORTFOLIO

**1 Power Road Studios W4**

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**2 The Powerhouse W4**

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**3 The Shepherds Building W14**

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Our strategy is to continue to increase our London holdings, focusing on areas where we see strong tenant demand and growth potential, such as the “Tech Belt” that runs from King’s Cross through Old Street and Shoreditch to Whitechapel. Our London portfolio comprises income producing multi-let offices, office refurbishments and developments and a mixed used commercial/residential scheme.

**4 25 Charterhouse Square EC1**

**5 Farringdon East EC1**

**6 Barts Square EC1**

**7 The Bower EC1**

**8 One Creechurch Place EC3**

**9 The Loom E1**

## HELICAL'S PROPERTY PORTFOLIO CONTINUED

### THE BOWER OLD STREET EC1

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The Bower is a landmark quarter immediately adjacent to Old Street roundabout and, once completed in July 2018, will feature 312,603 sq ft of innovative, high quality office space along with a destination restaurant and retail space (20,606 sq ft).

### 211 OLD STREET EC1

The development of Phase One comprises The Warehouse, 128,262 sq ft (including 10,298 sq ft of retail), and The Studio, 23,177 sq ft. Works on The Warehouse entailed a complete refurbishment of the building which retained its 1960's characteristics. The Studio was a ground up development on the former car park.

Phase One completed in March 2015 and was fully pre-let to CBS, Farfetch, Pivotal, Allegis and Stripe (The Warehouse) and John Brown Media (The Studio); and all tenants are in occupation. The retail operators are Bone Daddies, Draft House, Enoteca da Luca, Honest Burger and Franze & Evans.

### 207 OLD STREET EC1

The Tower, due to complete in July 2018, offers 171,462 sq ft of office space with a contemporary façade, innovatively designed interconnecting floors and 10,308 sq ft of retail space across two units.

We had previously pre-let six floors, comprising 59,015 sq ft (34%), to WeWork and, since the year end, have let a further three floors, comprising 29,635 sq ft, prior to completion of the building, taking the office space to 52% pre-let.

## BARTS SQUARE EC1

In a joint venture with The Baupost Group LLC, Helical owns the freehold interest of Barts Square, a 3.2 acre site between St Paul's and Smithfield Market, situated a short walk from Farringdon East Crossrail station which is due to be operational in December of this year.

Barts Square will ultimately provide an entirely new quarter in the City consisting of 236 residential apartments, three office buildings of 213,179 sq ft, 24,013 sq ft and c. 11,200 sq ft together with 21,692 sq ft of retail/A3 at ground floor as well as major public realm improvements.

### PHASE ONE

#### Residential

Phase One of Barts Square comprises 144 residential units, 3,193 sq ft of retail and extensive public realm improvements. The residential units are being handed over to purchasers as buildings are completed with three buildings (71 unit sales) completed within the year and four further buildings (62 unit sales) to be completed and handed over before the end of August 2018. In total, contracts have been exchanged for the sale of 133 residential units for a total value of £170m at an average of £1,560 psf leaving just 11 apartments to sell.

#### 90 Bartholomew Close - Offices

The 24,013 sq ft office building with 6,282 sq ft of restaurant use completed in March 2018. Marketing of the offices has commenced and there is good interest in the space.

### PHASE TWO

#### One Bartholomew - Offices

One Bartholomew was sold to clients of, Ashby Capital LLP ("Ashby") for £102.4m in August 2015. The demolition of the existing building and the construction of a new 12 storey Grade A office block of 213,179 sq ft commenced in January 2016 and is due to be completed in October 2018. Ashby's clients finance the development costs and, when the building is completed and successfully let, the joint venture will be entitled to receive a profit share payment. Helical is the development manager for delivery of the project.

### PHASE THREE

#### Residential/Retail

Demolition work on Phase Three of Barts Square has completed and construction works are now well underway. This phase will comprise 92 apartments and 12,217 sq ft of retail space. Marketing of the units commenced in March 2018 and during the year contracts were exchanged on 14 units, with a further eight units exchanged post year end, at an aggregate average of £1,782 psf.

### PHASE THREE

#### 54/58 Bartholomew Close

The refurbishment of 54/58 Bartholomew Close will provide c. 11,200 sq ft of offices and is expected to start in Q2 2018 for completion by Q3 2019.

## HELICAL'S PROPERTY PORTFOLIO CONTINUED

### THE LOOM WHITECHAPEL E1

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This 110,068 sq ft building is one of London's few remaining former Victorian wool warehouses and was acquired in 2013. Works to transform this asset completed in September 2016 and included a new entrance and reception onto Gowers Walk, a café, showers and a bike store. The Loom has won both a RIBA London and National Award as well as an Architects Journal Retrofit Award. Due to careful asset management, the building remained an average of 78% let throughout the refurbishment. Since 1 April 2017, we have completed new lettings on 22,302 sq ft, with newly refurbished space being let at between £52.50 psf and a record £55.00 psf. Since the year end a further 10,822 sq ft has been let and the building is now 92% let.

## ONE CREECHURCH PLACE CITY OF LONDON EC3

One Creechurch Place is a landmark City office scheme in the heart of the insurance district in London. In May 2014, Helical 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 jointly funded the project on a 90:10 split, with Helical acting as development manager for which it will receive a promote payment upon successful completion and letting of the scheme. The new building, comprising 272,127 sq ft of offices and 786 sq ft of retail, achieved practical completion on 7 November 2016. In the year to March 2018 we have let 69% of the building to Hyperion (115,910 sq ft), Enstar (31,958 sq ft), Travelers (15,969 sq ft), Dell (22,357 sq ft) and Illy (786 sq ft), a total of 186,980 sq ft. Since the year end a further floor of 15,994 sq ft has been let to Coverys, taking the building to 74% let.

## 25 CHARTERHOUSE SQUARE SMITHFIELD EC1

In January 2016, Helical was granted a new 155 year leasehold interest in 25 Charterhouse Square from the Governors of Sutton's Hospital in Charterhouse for £16m. The building is a Grade A office adjacent to the new Farringdon East station on the Elizabeth Line (Crossrail) and overlooks the historic Charterhouse Square. Helical has carried out a major refurbishment of the existing building, which increased the previous 34,000 sq ft to 38,355 sq ft of offices with the addition of a new sixth floor, and 5,138 sq ft of retail/restaurant

space. The building achieved practical completion on 28 March 2017 and was fully let by December 2017, less than two years after it was acquired. The second to sixth floors have been let at £75 psf to Anomaly, Peakon and Hudson Sandler. The ground and first floors have been let to Senator International on five-year leases at £77 psf for the first floor and an average £59 psf for the "shell" ground floor units.

**FARRINGDON EAST  
SMITHFIELD EC1**

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We have exchanged a development agreement with Transport for London ("TfL") with respect to the Over-Station Development at the Farringdon East Elizabeth Line Station. This will lead to the creation of an office-led scheme with a gross development value of £120m. Following the year end a 150-year lease was granted and the site handed over by TfL. The development will comprise a six storey office building of 89,000 sq ft with a retail/restaurant unit on the ground floor and the building will sit immediately east of Smithfield Market with views over Charterhouse Square and towards St Paul's Cathedral. Development of the scheme commences in August 2018 and completion is due in October 2019.

**THE SHEPHERDS BUILDING  
SHEPHERDS BUSH W14**

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This 150,470 sq ft multi-let office building close to the Westfield London shopping centre maintains an occupancy approaching 100%, as it has for the past ten consecutive years. The Shepherds Building was constructed around 1960 and Helical has owned the building since 2000. In 2002 the building underwent a full refurbishment with an additional floor added, creating an eight-storey building. In 2014 a new entrance and refurbishment of central spaces updated the existing building which included a refurbished

café/bar. The average contracted rent for the building is £45.90 psf with a total contracted rent of £6.5m. During the year we have completed new lettings and agreement for leases totalling 26,026 sq ft and a further 2,871 sq ft since the year end.

## POWER ROAD STUDIOS CHISWICK W4

The site comprises 57,289 sq ft of offices across four buildings and is multi-let to a wide range of predominantly media tenants. In October we completed the refurbishment of Studio 1, a project comprising c. 16,000 sq ft of air conditioned Grade A space, refurbished common parts and two new lift shafts to accommodate a consented future roof extension of 13,000 sq ft. Of the newly refurbished space we have let 8,341 sq ft at £43 psf. Preliminary works have been completed for a new 30,000 sq ft office building which secured planning consent in August 2017.

## THE POWERHOUSE CHISWICK W4

Helical acquired this 24,288 sq ft office and recording studios by way of sale and leaseback in 2013. The Powerhouse is a listed building on Chiswick High Road and is fully let on a long lease to Metropolis Music Group.

## DRURY LANE AND DRYDEN STREET WC2

This is a 0.5 acre office and retail site which sits within the Covent Garden construction area. The Group has agreed with Savills Investment Management to act as development manager to obtain a revised office planning consent. The Group will receive a fee for this which is dependent on the value of the property with the new consent.

## KING STREET HAMMERSMITH W6

Hammersmith & Fulham Borough Council, who have been opposed to this regeneration project since the Council became Labour controlled, have exercised their option to terminate the development agreement. The value of the land held by the Company (which is a 50/50 joint venture with Grainger plc) is being determined by an expert under the terms of the termination provision in the agreement.

# THE MANCHESTER PORTFOLIO

**Manchester Offices**

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**1 Trinity Court**

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**2 31 Booth Street**

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**3 Churchgate and Lee House**

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**4 35 Dale Street**

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Manchester is a city with a diverse, thriving and growing economy that is widely regarded as England's second city and the centre of the "Northern Powerhouse". Helical has found that the approach it applies to development and asset management in London is equally well received by the tenants in Manchester. The assets we hold there are discussed below:

### CHURCHGATE AND LEE HOUSE

This asset comprises 243,701 sq ft of multi-let offices. The asset was 64% let when acquired in March 2014. Since purchase we have refurbished the reception and 76,382 sq ft of office space and the building is fully let. During the year we agreed a new ten-year lease with Capita on 33,000 sq ft at £15.50 psf, an uplift of 7% on the previous rent. Looking forward we will continue with asset management initiatives to drive further rental and capital growth.

### 31 BOOTH STREET

This 25,441 sq ft office located in the prime city core was acquired in January 2016 for £4.7m. The building has been fully refurbished and was launched to the market in March 2017. The ground floor and basement have been let on an agreement to lease to Elevatione, a luxury boutique cosmetic retailer. There is good interest in the remaining office space, with the fifth and sixth floor under offer.

### 35 DALE STREET

35 Dale Street is a 53,265 sq ft office building situated in the Northern Quarter of Manchester, acquired in March 2015. The building is undergoing a complete refurbishment, with the final office floor due to complete in June 2018. During the year the building became 62% let with an additional 10% being let post year end with a new headline rent of £23.50 psf. 17% of the remaining space is exchanged on agreement for leases with the final lower ground floor unit (6,000 sq ft) due to be marketed from June 2018.

### TRINITY COURT

Trinity Court, purchased in May 2017 for £12.9m, is a 47,443 sq ft office building situated in the central business district of Manchester. On acquisition the building was 100% let but the building has now been vacated to allow a full refurbishment and extension. The completed building will comprise 59,109 sq ft of new and refurbished office space and is expected to complete in December 2018.

# THE NON-CORE PORTFOLIO

## LOGISTICS

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During the year Helical sold all of its logistics units in three transactions for a total of £180m, a premium of 14.5% to book value.

## RETIREMENT VILLAGES

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Our retirement village portfolio consisted of four villages at Bramshott Place Liphook, Durrants Village Faygate, Millbrook Village Exeter and Maudslay Park Great Alne. In November 2017, we sold our entire retirement village portfolio to L&G Capital for gross proceeds of £102m, with £26m deferred for 12 months, a 13.5% discount to book value.

## RETAIL INVESTMENTS

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During the year we sold our retail assets at Morgan Quarter, Cardiff, Great Yarmouth and Southend for a combined £73.3m, a premium to book value of 4.6%. At 31 March 2018, our single remaining retail investment is a 42,490 sq ft retail park in Sevenoaks.

## OTHER REGIONAL OFFICES

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At 31 March 2018 our regional offices, outside Manchester, comprise two buildings located in Reading (fully let) and Glasgow (98% let). Crawley was sold in December 2017 for its book value. Following the year end, contracts have been exchanged for the sale of Reading at its book value, with completion due in July 2018.

## RETAIL DEVELOPMENTS

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We continue to progress our retail schemes at Truro, Kingswinford and East Ham. We have assigned our land option in Evesham, with a profit share dependant on the success of the scheme, which is due for completion in 2019.



# HELICAL'S PROPERTY PORTFOLIO CONTINUED

## PORTFOLIO ANALYTICS

### TOTAL PORTFOLIO BY FAIR VALUE

|                                     | Investment<br>£m | %            | Development<br>£m | %            | Total<br>£m  | %            |
|-------------------------------------|------------------|--------------|-------------------|--------------|--------------|--------------|
| <b>London Offices</b>               |                  |              |                   |              |              |              |
| Completed, let and available to let | 488.6            | 59.2         | 14.3              | 16.9         | 502.9        | 55.3         |
| Being redeveloped                   | 211.3            | 25.6         | -                 | -            | 211.3        | 23.2         |
| Land held for sale                  | -                | -            | 5.3               | 6.2          | 5.3          | 0.5          |
| Held for future development         | -                | -            | 0.1               | 0.1          | 0.1          | 0.1          |
| <b>London Residential</b>           | -                | -            | 59.0              | 69.6         | 59.0         | 6.5          |
| <b>Total London</b>                 | <b>699.9</b>     | <b>84.8</b>  | <b>78.7</b>       | <b>92.8</b>  | <b>778.6</b> | <b>85.6</b>  |
| <b>Manchester Offices</b>           |                  |              |                   |              |              |              |
| Completed, let and available to let | 83.4             | 10.1         | -                 | -            | 83.4         | 9.2          |
| Being redeveloped                   | 14.6             | 1.8          | -                 | -            | 14.6         | 1.6          |
| <b>Total Core Portfolio</b>         | <b>797.9</b>     | <b>96.7</b>  | <b>78.7</b>       | <b>92.8</b>  | <b>876.6</b> | <b>96.4</b>  |
| <b>Regional Offices</b>             | <b>16.7</b>      | <b>2.1</b>   | <b>-</b>          | <b>-</b>     | <b>16.7</b>  | <b>1.8</b>   |
| <b>Regional Retail</b>              | <b>10.0</b>      | <b>1.2</b>   | <b>3.5</b>        | <b>4.1</b>   | <b>13.5</b>  | <b>1.5</b>   |
| <b>Land</b>                         | <b>0.2</b>       | <b>-</b>     | <b>2.6</b>        | <b>3.1</b>   | <b>2.8</b>   | <b>0.3</b>   |
| <b>Total Non-Core Portfolio</b>     | <b>26.9</b>      | <b>3.3</b>   | <b>6.1</b>        | <b>7.2</b>   | <b>33.0</b>  | <b>3.6</b>   |
| <b>Total</b>                        | <b>824.8</b>     | <b>100.0</b> | <b>84.8</b>       | <b>100.0</b> | <b>909.6</b> | <b>100.0</b> |

### TRADING AND DEVELOPMENT PORTFOLIO

|                                 | Book value<br>£m | Fair value<br>£m | Surplus<br>£m | Fair value<br>% |
|---------------------------------|------------------|------------------|---------------|-----------------|
| <b>London Offices</b>           | <b>19.7</b>      | <b>19.7</b>      | <b>-</b>      | <b>23.2</b>     |
| <b>London Residential</b>       | <b>57.3</b>      | <b>59.0</b>      | <b>1.7</b>    | <b>69.6</b>     |
| <b>Total London</b>             | <b>77.0</b>      | <b>78.7</b>      | <b>1.7</b>    | <b>92.8</b>     |
| <b>Manchester Offices</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>      | <b>-</b>        |
| <b>Total Core Portfolio</b>     | <b>77.0</b>      | <b>78.7</b>      | <b>1.7</b>    | <b>92.8</b>     |
| <b>Regional Retail</b>          | <b>3.5</b>       | <b>3.5</b>       | <b>-</b>      | <b>4.1</b>      |
| <b>Land</b>                     | <b>2.0</b>       | <b>2.6</b>       | <b>0.6</b>    | <b>3.1</b>      |
| <b>Total Non-Core Portfolio</b> | <b>5.5</b>       | <b>6.1</b>       | <b>0.6</b>    | <b>7.2</b>      |
| <b>Total</b>                    | <b>82.5</b>      | <b>84.8</b>      | <b>2.3</b>    | <b>100.0</b>    |

### CAPITAL EXPENDITURE

We have a planned development and refurbishment programme.

| Property                                   | Capex budget<br>(Helical share)<br>£m | Remaining<br>spend<br>(Helical share)<br>£m | Pre-refurbished<br>space<br>sq ft | New space<br>sq ft | Total<br>completed<br>space<br>sq ft | Completion<br>date |
|--------------------------------------------|---------------------------------------|---------------------------------------------|-----------------------------------|--------------------|--------------------------------------|--------------------|
| <b>Office Investment – committed</b>       |                                       |                                             |                                   |                    |                                      |                    |
| 207 Old Street, London EC1                 | 95.0                                  | 22.1                                        | 114,000                           | 67,770             | 181,770                              | July 2018          |
| Farringdon East, London EC1                | 44.2                                  | 41.7                                        | -                                 | 89,000             | 89,000                               | October 2019       |
| 35 Dale Street, Manchester                 | 4.8                                   | 1.0                                         | 53,265                            | -                  | 53,265                               | June 2018          |
| Trinity Court, Manchester                  | 6.1                                   | 5.5                                         | 47,443                            | 11,666             | 59,109                               | December 2018      |
| <b>Office Investment – planned</b>         |                                       |                                             |                                   |                    |                                      |                    |
| Barts Square, London EC1                   | 5.9                                   | 5.9                                         | 9,000                             | 2,200              | 11,200                               | August 2020        |
| <b>Residential Development – committed</b> |                                       |                                             |                                   |                    |                                      |                    |
| Barts Square, London EC1 – Phase One       | 63.8                                  | 11.3                                        | -                                 | 126,772            | 126,772                              | August 2018        |
| Barts Square, London EC1 – Phase Three     | 40.3                                  | 32.6                                        | -                                 | 90,936             | 90,936                               | December 2019      |

## ASSET MANAGEMENT

Asset management is a critical component in driving Helical's performance. Through having well considered business plans and by maximising the combined skills of our management team, we are able to create value in our assets without relying on market movements.

| Investment Portfolio                | Fair value weighting % | Passing rent £m | Contracted rent <sup>1</sup> % | Contracted rent <sup>1</sup> £m | %            | 2018 ERV <sup>2</sup> £m | ERV change like-for-like % | 2017 ERV %  |
|-------------------------------------|------------------------|-----------------|--------------------------------|---------------------------------|--------------|--------------------------|----------------------------|-------------|
| <b>London Offices</b>               |                        |                 |                                |                                 |              |                          |                            |             |
| Completed, let and available to let | 59.2                   | 21.1            | 78.2                           | 24.6                            | 69.2         | 29.6                     | 49.0                       | 29.1        |
| Being redeveloped                   | 25.6                   | -               | -                              | 3.8                             | 10.7         | 20.0                     | 33.2                       | 13.4        |
| Held for future development         | -                      | -               | -                              | -                               | -            | -                        | -                          | 2.5         |
| <b>Total London</b>                 | <b>84.8</b>            | <b>21.1</b>     | <b>78.2</b>                    | <b>28.4</b>                     | <b>79.9</b>  | <b>49.6</b>              | <b>82.2</b>                | <b>45.0</b> |
| <b>Manchester Offices</b>           |                        |                 |                                |                                 |              |                          |                            |             |
| Completed, let and available to let | 10.1                   | 3.6             | 13.1                           | 4.7                             | 13.2         | 6.4                      | 10.6                       | 5.6         |
| Being redeveloped                   | 1.8                    | -               | -                              | -                               | -            | 1.7                      | 2.9                        | n/a         |
| <b>Total Core Portfolio</b>         | <b>96.7</b>            | <b>24.7</b>     | <b>91.3</b>                    | <b>33.1</b>                     | <b>93.1</b>  | <b>57.7</b>              | <b>95.7</b>                | <b>50.6</b> |
| <b>Regional Offices</b>             | <b>2.1</b>             | <b>1.5</b>      | <b>5.6</b>                     | <b>1.6</b>                      | <b>4.5</b>   | <b>1.7</b>               | <b>2.9</b>                 | <b>2.3</b>  |
| <b>Regional Retail</b>              | <b>1.2</b>             | <b>0.8</b>      | <b>2.9</b>                     | <b>0.8</b>                      | <b>2.3</b>   | <b>0.8</b>               | <b>1.3</b>                 | <b>6.2</b>  |
| <b>Total Non-Core Portfolio</b>     | <b>3.3</b>             | <b>2.3</b>      | <b>8.5</b>                     | <b>2.4</b>                      | <b>6.8</b>   | <b>2.5</b>               | <b>4.2</b>                 | <b>8.5</b>  |
| <b>Other</b>                        | <b>-</b>               | <b>-</b>        | <b>0.2</b>                     | <b>-</b>                        | <b>0.1</b>   | <b>0.1</b>               | <b>0.1</b>                 | <b>12.5</b> |
| <b>Total</b>                        | <b>100.0</b>           | <b>27.0</b>     | <b>100.0</b>                   | <b>35.5</b>                     | <b>100.0</b> | <b>60.3</b>              | <b>100.0</b>               | <b>71.6</b> |

1 Contracted rent includes £3.8m pre-let to WeWork at The Bower, London EC1.

2 ERV includes £6.15m relating to Farringdon East, London EC1.

During the year, total contracted income reduced by £16.7m as a result of the sale of investment properties and losses from breaks and lease expiries, offset by the purchase of one investment property and rent from new lettings and rent reviews.

|                                                                    | Total portfolio contracted rent £m |
|--------------------------------------------------------------------|------------------------------------|
| Rent lost at break/expiry                                          | (3.7)                              |
| Rent reviews and uplifts on lease renewals                         | 0.2                                |
| <b>New lettings</b>                                                |                                    |
| London                                                             | 5.7                                |
| Manchester                                                         | 1.3                                |
| <b>Total increase in the year from asset management activities</b> | <b>3.5</b>                         |
| <b>Reduced through asset sales</b>                                 |                                    |
| London                                                             | (3.6)                              |
| Logistics                                                          | (12.2)                             |
| Other                                                              | (5.8)                              |
| Increased from purchase of investment properties                   | 1.4                                |
| <b>Total contracted rental change from sales and purchases</b>     | <b>(20.2)</b>                      |
| <b>Net decrease in contracted rents in the year</b>                | <b>(16.7)</b>                      |

# HELICAL'S PROPERTY PORTFOLIO CONTINUED

## PORTFOLIO ANALYTICS CONTINUED

### PORTFOLIO YIELDS

|                                     | EPRA<br>topped up NIY<br>£m | Reversionary<br>% |
|-------------------------------------|-----------------------------|-------------------|
| London Offices                      |                             |                   |
| Completed, let and available to let | 4.5                         | 5.3               |
| Being redeveloped                   | n/a                         | 5.6               |
| Total London                        | 4.5                         | 5.4               |
| Manchester Offices                  |                             |                   |
| Completed, let and available to let | 5.3                         | 6.5               |
| Being redeveloped                   | n/a                         | 7.0               |
| Total Core Portfolio                | 4.6                         | 5.6               |
| Regional Offices                    | 8.7                         | 9.2               |
| Regional Retail                     | 7.4                         | 7.6               |
| Total Non-Core Portfolio            | 8.2                         | 8.7               |
| Total                               | 4.8                         | 5.7               |

### CAPITAL VALUES, VACANCY RATES AND UNEXPIRED LEASE TERMS

|                                     | Capital<br>value psf <sup>1</sup><br>£ | Vacancy<br>rate <sup>2</sup><br>% | WAULT<br>years |
|-------------------------------------|----------------------------------------|-----------------------------------|----------------|
| London Offices                      |                                        |                                   |                |
| Completed, let and available to let | 910                                    | 8.3                               | 5.8            |
| Being redeveloped                   | 971                                    | n/a                               | n/a            |
| Total London                        | 927                                    | 8.3                               | 5.8            |
| Manchester Offices                  |                                        |                                   |                |
| Completed, let and available to let | 259                                    | 12.8                              | 4.2            |
| Being redeveloped                   | 309                                    | n/a                               | n/a            |
| Total Core Portfolio                | 707                                    | 10.0                              | 5.5            |
| Regional Offices                    | 179                                    | 1.4                               | 2.3            |
| Regional Retail                     | 235                                    | -                                 | 6.2            |
| Total Non-Core Portfolio            | 196                                    | 1.0                               | 3.8            |
| Total                               | 651                                    | 8.7                               | 5.4            |

1 Capital values psf exclude Farringdon East, London EC1.

2 The vacancy rates exclude assets in the course of redevelopment and assets in joint ventures.

## VALUATION MOVEMENTS

|                                     | Valuation change<br>inc sales and<br>purchases<br>% | Valuation change<br>excl sales and<br>purchases<br>% | Investment<br>portfolio<br>weighting<br>31.3.18<br>% | Investment<br>portfolio<br>weighting<br>31.3.17<br>% |
|-------------------------------------|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| London Offices                      |                                                     |                                                      |                                                      |                                                      |
| Completed, let and available to let | 2.7                                                 | 3.3                                                  | 59.2                                                 | 49.3                                                 |
| Being redeveloped                   | 7.2                                                 | 7.8                                                  | 25.6                                                 | 12.4                                                 |
| Held for future development         | n/a                                                 | n/a                                                  | n/a                                                  | 3.8                                                  |
| <b>Total London</b>                 | <b>3.6</b>                                          | <b>4.2</b>                                           | <b>84.8</b>                                          | <b>65.5</b>                                          |
| Manchester Offices                  |                                                     |                                                      |                                                      |                                                      |
| Completed, let and available to let | 10.8                                                | 10.8                                                 | 10.1                                                 | 7.0                                                  |
| Being redeveloped                   | 0.3                                                 | n/a                                                  | 1.8                                                  | n/a                                                  |
| <b>Total Core Portfolio</b>         | <b>4.2</b>                                          | <b>4.9</b>                                           | <b>96.7</b>                                          | <b>72.5</b>                                          |
| Regional Offices                    | (3.6)                                               | (5.7)                                                | 2.1                                                  | 2.3                                                  |
| Regional Retail                     | 4.1                                                 | -                                                    | 1.2                                                  | 7.8                                                  |
| Retirement Villages                 | (25.6)                                              | n/a                                                  | n/a                                                  | 2.0                                                  |
| Regional Logistics                  | 14.4                                                | n/a                                                  | n/a                                                  | 15.4                                                 |
| <b>Total Non-Core Portfolio</b>     | <b>7.1</b>                                          | <b>(3.5)</b>                                         | <b>3.3</b>                                           | <b>27.5</b>                                          |
| <b>Total</b>                        | <b>5.0</b>                                          | <b>4.5</b>                                           | <b>100.0</b>                                         | <b>100.0</b>                                         |

## LEASE EXPIRIES OR TENANT BREAK OPTIONS

|                            | Year to<br>2019 | Year to<br>2020 | Year to<br>2021 | Year to<br>2022 | Year to<br>2023 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| % of rent roll             | 10.6            | 7.8             | 7.4             | 20.2            | 10.8            |
| Number of leases           | 47              | 51              | 29              | 25              | 15              |
| Average rent per lease (£) | 71,792          | 48,440          | 81,294          | 255,741         | 228,817         |

We have a strong rental income stream and a diverse tenant base, with the largest tenant in the portfolio accounting for 10.3% of the rent roll. The top ten tenants account for 39.9% of the total rent roll and the tenants come from a variety of industries.

| Rank         | Tenant                                            | Tenant Industry      | Rent<br>£m  | Contracted<br>rent roll<br>% |
|--------------|---------------------------------------------------|----------------------|-------------|------------------------------|
| 1            | Endemol Shine UK Limited                          | Media                | 3.7         | 10.3                         |
| 2            | Gopivotal (UK) Limited                            | Technology           | 2.0         | 5.6                          |
| 3            | Farfetch UK Limited                               | Online retail        | 1.9         | 5.2                          |
| 4            | Anomaly UK Limited                                | Marketing            | 1.4         | 3.9                          |
| 5            | CBS Interactive Limited                           | Media                | 1.0         | 2.9                          |
| 6            | Allegis Group Limited                             | Recruitment          | 1.0         | 2.8                          |
| 7            | Stripe Payments UK Limited                        | Technology           | 0.8         | 2.3                          |
| 8            | The Growth Company Limited                        | Economic development | 0.8         | 2.3                          |
| 9            | Senator International Limited                     | Furniture            | 0.8         | 2.3                          |
| 10           | Capita Life & Pensions Regulated Services Limited | Technology           | 0.8         | 2.3                          |
| <b>Total</b> |                                                   |                      | <b>14.2</b> | <b>39.9</b>                  |

**TIM MURPHY**  
FINANCE DIRECTOR

Helical aims to deliver market leading returns by investing in and developing real estate that best serves the needs of its tenants and maximises value for its Shareholders.

### IFRS PERFORMANCE

#### PROFIT BEFORE TAX

**£30.8m**

(2017: £41.6m)

#### IFRS EPS

**22.3p**

(2017: 34.0p)

#### IFRS DILUTED NAV

**445p**

(31 March 2017: 431p)

### RESULTS FOR THE YEAR

The year to 31 March 2018 includes net rental income of £36.1m and a net gain on sale and revaluation of the investment portfolio of £40.7m, offset by development losses of £8.0m leading to a Total Property Return of £68.8m. Significantly reduced total administration costs of £13.3m and net finance costs of £35.2m contributed to a pre-tax profit of £30.8m (2017: £41.6m). EPRA net asset value per share reduced by 1.1% to 468p (31 March 2017: 473p).

The proposed final dividend of 7.00p takes the total dividend for the year to 9.50p, a 10.5% increase on the previous year. With growing rents from our London and Manchester portfolios, the Company aims to continue to increase its annual dividend going forward.

The Group's real estate portfolio, including its share of assets held in joint ventures, reduced to £910m (31 March 2017: £1,205m) as gains from its annual revaluation and capital expenditure on the

investment portfolio and development programme were offset by the sale of £484m of assets. Two new assets were purchased during the year, being the scheme at Trinity Court, Manchester and the site at Farringdon East, Elizabeth Line Station, London EC1.

The sale of property assets during the year has resulted in a reduction in the Group's see-through loan to value to 39.9% (31 March 2017: 51.4%). The Group's debt maturity profile shortened to 3.0 years (31 March 2017: 3.6 years) and its weighted average cost of debt remained at 4.3% (31 March 2017: 4.3%).

At 31 March 2018, the Group had unutilised bank facilities of £173m and £104m of cash. The bank facilities are primarily available to fund completion of Phase Two of the Group's redevelopment of The Bower, London EC1, the construction works at Barts Square, London EC1, including the last phase of residential, as well as future potential purchases.

## EPRA PERFORMANCE

## EPRA EPS

**(7.0)p**

(2017: earnings 0.5p)

## EPRA NAV

**468p**

(31 March 2017: 473p)

## EPRA TRIPLE NAV

**448p**

(31 March 2017: 442p)

**TOTAL ACCOUNTING RETURN**

The total accounting return is the growth in the net asset value of the Company plus dividends paid in the year, expressed as a percentage of the net asset value at the beginning of the year. The metric measures the growth in Shareholders' Funds each year and is expressed as an absolute measure.

**TOTAL PROPERTY RETURN**

We calculate our Total Property Return to enable us to assess the aggregate of income and capital profits made each year from our property activities. Our business is primarily aimed at producing surpluses in the value of our assets through asset management and development, with the income side of the business seeking to cover our annual administration and finance costs.

**EARNINGS PER SHARE**

The IFRS earnings per share reduced from 34.0p to 22.3p and are based on the after tax earnings attributable to ordinary Shareholders divided by the weighted average number of shares in issue during the year.

On an EPRA basis, losses per share were 7.0p (2017: earnings 0.5p), reflecting the Group's share of net rental income of £36.1m (2017: £47.0m) and development losses of £8.0m (2017: £5.7m) but excluding gains on sale and revaluation of investment properties of £40.7m (2017: £38.6m).

**NET ASSET VALUE**

IFRS diluted net asset value per share increased from 431p to 445p and is a measure of Shareholders' Funds divided by the number of shares in issue at the year end, excluding those held by the Company's Employee Share Ownership Plan Trust, adjusted to allow for the effect of all dilutive share awards.

EPRA net asset value per share reduced by 1.1% to 468p per share (31 March 2017: 473p). This movement arose principally from a total comprehensive income (retained profits) of £26.3m (2017: £39.2m) less dividends paid of £10.2m (31 March 2017: £3.6m) and reflecting a reduction in the surplus on valuation of the trading and development stock to £2.3m (31 March 2017: £12.5m).

EPRA triple net asset value per share increased by 1.4% to 448p (31 March 2017: 442p).

## FINANCIAL REVIEW

### CONTINUED

#### INCOME STATEMENT

##### Rental Income and Property Overheads

Gross rental income receivable by the Group in respect of wholly owned properties reduced by 17.6% to £40.2m (2017: £48.8m) reflecting the partial capture of the investment portfolio's reversionary potential offset by sales of assets during the year. In the joint ventures, gross rents fell from £0.9m to £0.2m. Property overheads in respect of wholly owned assets and in respect of those assets in joint ventures increased from £2.5m to £4.1m, with void costs of refurbished or redeveloped buildings significantly increasing prior to letting. After taking account of net rents payable to our profit share partners of £0.1m (2017: £0.3m), see-through net rents reduced by 23.2% to £36.1m (2017: £47.0m).

##### Development Profits

The majority of the Group's development activities are carried out on assets held as investment properties such as The Bower, London EC1, schemes funded with third parties, or in joint ventures.

In the year under review the Company sold £11.8m of units at its retirement village portfolio at a net £1.1m loss and in November 2017 sold the remainder of the portfolio for £101.5m, of which £86.7m related to the four development sites at Bramshott Place, Millbrook Village, Durrants Village and Maudslay Park. This sale was at a £13.0m loss to its then book value. In its development management role at One Creechurch Place, London EC3, the Group let 69% of the office space at the building during the year enabling it to recognise £10.2m

of profit from its promote arrangement with its joint venture agreement with Healthcare of Ontario Pension Plan. At Barts Square, London EC1 the Group earned development management fees of £1.9m during the year but made a provision for additional costs of £3.3m, mainly as the result of the replacement of Carillion as contractor on the scheme. In Glasgow, the Group sold its building at Cathcart for £9.1m at a profit of £0.9m. The site was originally acquired as part of the arrangements in connection with the development management role on the Scottish Power headquarters which completed in 2016.

During the year we reached settlement on an outstanding claim with the main contractor at the Europa Centralna retail scheme at Gliwice with our former partners, AIMCo, and our share of this settlement contributed to a loss of £1.4m in Poland. Our retail development programme generated net profits of £1.5m (2017: £2.3m) with the pre-let scheme at Cortonwood contributing £0.6m, supplemented by the reversal of £0.9m of provisions previously made against the carrying value of other retail schemes.

In total, the Group incurred development losses of £2.0m (2017: profits of £7.1m).

At the year end, we reviewed the book value of our land holdings and made provisions of £2.2m (2017: £6.3m), primarily in respect of Drury Lane, London WC1. Net of these provisions, a development property loss of £4.2m (2017: profit of £0.8m) was recognised by the Group.

### Share of Results of Joint Ventures

The revaluation of our investment assets held in joint ventures generated a surplus of £3.3m (2017: loss of £1.9m) but an assessment of the book value of our land holdings and future anticipated development costs at One Bartholomew, Barts Square, London EC1 resulted in development losses of £3.8m. Finance, administration, taxation and sundry costs added a further £1.5m (2017: £1.0m) of losses. Accounting adjustments to our interest in the Barts Square and One Creechurch joint ventures generated surpluses of £5.2m, leaving a net profit from our joint ventures of £3.2m (2017: loss of £6.5m).

### Gain on Sale and Revaluation of Investment Properties

During the year, we sold 32 investment assets for gross proceeds of £348.7m generating a net overall profit of £13.6m. In London we sold our office building at C Space, City Road, EC1 for £73.1m generating a loss of £1.7m reflecting transaction costs and rental guarantees. In the regions we sold the whole of our industrial portfolio in three separate sales, for a total of £179.6m at a profit of £19.4m, after costs. The regional offices at Crawley were sold for book value of £7.9m and we sold our retail assets at the Morgan Quarter and in Great Yarmouth and Southend for a combined £73.3m, generating a £1.5m profit. As part of the sale of the retirement village portfolio we sold the clubhouses at the Bramshott Place, Millbrook and Durrants villages for a combined £14.8m, a loss after costs of £5.3m.

The valuation of our investment portfolio continued to reflect the benefit of our refurbishment activities in London where we generated an increase of 3.6% overall and 4.2% on a like-for-like basis. In Manchester, the portfolio generated an increase of 10.8% on a like-for-like basis. In total, the investment portfolio showed a valuation increase of 5.0%, or 4.5% on a like-for-like basis.

The total impact on our results of the gain on sale and revaluation of our investment portfolio, including in joint ventures, was a net gain of £40.7m (2017: £38.6m).

### Administration Costs

Administration costs in the Group, before performance-related awards, increased marginally from £10.8m to £11.0m.

Performance related share awards and bonus payments, before National Insurance costs, were £1.7m (2017: £6.9m). Of this amount, the £1.4m (2017: £1.7m)

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.

|                                           | 2018<br>£000 | 2017<br>£000 |
|-------------------------------------------|--------------|--------------|
| Administration costs                      | 11,023       | 10,800       |
| Share awards                              | 1,388        | 1,672        |
| Directors' and senior executives' bonuses | 289          | 5,182        |
| NIC on share awards and bonuses           | 65           | 718          |
| Group                                     | 12,765       | 18,372       |
| In joint ventures                         | 468          | 338          |
| Total                                     | 13,233       | 18,710       |

### Finance Costs, Finance Income and Derivative Financial Instruments

Interest payable on secured bank loans including our share of loans on assets held in joint ventures, but before capitalised interest, reduced to £18.5m (2017: £19.8m). Interest payable in respect of the unsecured Retail and Convertible Bonds was £8.4m (2017: £8.8m). Bank charges, commitment fees, sundry interest and the amortisation of refinancing costs increased to £9.1m (2017: £4.9m) as bank loans were repaid and cancelled. Capitalised interest reduced from £7.9m to £5.2m as development schemes progressed and reflecting the sale of the retirement village portfolio. Total finance costs, including joint ventures, but before the redemption of the Retail Bond, increased to £30.8m (2017: £25.6m). In March 2018, we redeemed the 6% Retail Bond at a redemption premium of £8.7m. This increased total finance costs to £39.5m for the year (2017: £25.6m). Finance income earned, including in joint ventures, was £4.3m (2017: £4.4m). The movement in medium and long-term interest rate projections during the year, offset by the shortening maturity period of the Group's financial instruments, contributed to a credit of £4.0m (2017: £0.8m) on their mark to market valuation. The mark to market valuation of the Convertible Bond resulted in a charge of £1.6m (2017: credit of £3.0m).

### Taxation

Helical pays corporation tax on its UK sourced net rental income, trading and development profits and realised chargeable gains, after offset of administration and finance costs.

The deferred tax charge for the year is principally derived from the revaluation surpluses recognised in the year offset by the recognition of tax losses that the

Group believes will be utilised against profits in the foreseeable future.

### Dividends

Helical follows a progressive dividend policy of increasing its dividends whilst retaining the majority of funds generated for investment in growing the business. As the Company completes and lets its current development programme, it expects to be able to continue to reflect the growth in earnings in increased dividends paid to Shareholders. The interim dividend paid on 22 December 2017 of 2.50p was an increase of 4.2% on the previous interim dividend of 2.40p. The Company has proposed a final dividend of 7.00p, an increase of 12.9% on the previous year (2017: 6.20p) for approval by Shareholders at the 2018 AGM. In total, the dividend paid or payable in respect of the results for the year to 31 March 2018 will be 9.50p (2017: 8.60p), an increase of 10.5%. Since 2015, the compound annual growth rate of the Company's dividends has been 9.5%.

## FINANCIAL REVIEW CONTINUED

### Investment Portfolio

|                            | Wholly owned<br>£000 | In joint venture<br>£000 | See-through<br>£000 | Head leases capitalised<br>£000 | Lease incentives<br>£000 | Book value<br>£000 |
|----------------------------|----------------------|--------------------------|---------------------|---------------------------------|--------------------------|--------------------|
| Valuation at 31 March 2017 | 1,003,000            | 13,907                   | 1,016,907           | -                               | (15,440)                 | 1,001,467          |
| Acquisitions and transfers |                      |                          |                     |                                 |                          |                    |
| wholly owned               | 24,967               | -                        | 24,967              | 2,189                           | -                        | 27,156             |
| Capital expenditure        |                      |                          |                     |                                 |                          |                    |
| wholly owned               | 73,886               | -                        | 73,886              | -                               | -                        | 73,886             |
| joint ventures             | -                    | 5,392                    | 5,392               | -                               | -                        | 5,392              |
| Disposals                  |                      |                          |                     |                                 |                          |                    |
| wholly owned               | (328,344)            | -                        | (328,344)           | -                               | 4,342                    | (324,002)          |
| Revaluation surplus        |                      |                          |                     |                                 |                          |                    |
| wholly owned               | 25,125               | -                        | 25,125              | -                               | (1,277)                  | 23,848             |
| joint ventures             | -                    | 3,324                    | 3,324               | -                               | -                        | 3,324              |
| profit share partners      | 3,500                | -                        | 3,500               | -                               | -                        | 3,500              |
| Valuation at 31 March 2018 | 802,134              | 22,623                   | 824,757             | 2,189                           | (12,375)                 | 814,571            |

### BALANCE SHEET

#### Shareholders' Funds

Shareholders' Funds at 1 April 2017 were £516.9m. The Group's results for the year added £26.3m (2017: £39.2m), net of tax, representing the total comprehensive income for the year. Movements in reserves arising from the Group's share schemes increased funds by £0.9m. The Company paid dividends to Shareholders amounting to £10.2m leaving a net increase in Shareholders' Funds from the Group activities during the year of £17.0m to £533.9m.

#### Investment Portfolio

In the year to 31 March 2018, the Group acquired offices at Trinity Court, Manchester for £13.5m and a scheme at Farringdon East, London EC1 for £11.4m. The Group expended £79.3m on capital works on the investment portfolio, mainly at The Bower, London EC1 (£59.6m), Barts Square, London EC1 (£5.4m), Power Road Studios, London W4 (£4.4m) and Dale House, Manchester (£3.7m). The aggregate book value of the 32 investment assets sold during the year was £328m. Revaluation gains added £31.9m (£3.5m for our partners) to increase the see-through value of the portfolio, before lease incentives, to £824.8m (2017: £1,016.9m). The accounting for head leases and lease incentives resulted in a book value of the see-through investment portfolio of £814.6m (31 March 2017: £1,001.5m).

#### Debt and Financial Risk

In seeking to finance Helical's expansion in recent years, the Group has used a combination of new secured facilities, whose purpose and terms reflect the nature of the assets charged to the lenders, and unsecured bonds, which have provided the firepower to acquire many of the assets which have contributed to the recent growth in Shareholders' Funds. Following the repayment of the Retail Bond in March 2018, unsecured debt represented 22% of debt drawn at 31 March 2018.

In total, Helical's outstanding debt at 31 March 2018 of £471m (31 March 2017: £737m) had an average maturity of 3.0 years (31 March 2017: 3.6 years) and a weighted interest cost of 4.3% (31 March 2017: 4.3%).

### Debt Profile at 31 March 2018 - Excluding the Effect of Arrangement Fees

|                                | Total facility<br>£000 | Total utilised<br>£000 | Available facility<br>£000 | Net LTV<br>% | Weighted average interest rate<br>% | Average maturity<br>years |
|--------------------------------|------------------------|------------------------|----------------------------|--------------|-------------------------------------|---------------------------|
| Investment facilities          | 474,000                | 319,389                | 154,611                    | -            | 4.5                                 | 3.8                       |
| In joint ventures              | 58,035                 | 49,945                 | 8,090                      | -            | 3.6                                 | 1.7                       |
| <b>Total secured debt</b>      | <b>532,035</b>         | <b>369,334</b>         | <b>162,701</b>             | <b>-</b>     | <b>4.4</b>                          | <b>3.5</b>                |
| Convertible Bond               | 100,000                | 100,000                | -                          | -            | 4.0                                 | 1.2                       |
| Working capital                | 10,000                 | -                      | 10,000                     | -            | -                                   | -                         |
| Fair value of Convertible Bond | -                      | 1,333                  | -                          | -            | -                                   | -                         |
| <b>Total unsecured debt</b>    | <b>110,000</b>         | <b>101,333</b>         | <b>10,000</b>              | <b>-</b>     | <b>4.0</b>                          | <b>1.2</b>                |
| <b>Total debt</b>              | <b>642,035</b>         | <b>470,667</b>         | <b>172,701</b>             | <b>39.9</b>  | <b>4.3</b>                          | <b>3.0</b>                |

|                                | 2018<br>£m   | Effective<br>Interest<br>rate<br>% | 2017<br>£m   | Effective<br>Interest<br>rate<br>% |
|--------------------------------|--------------|------------------------------------|--------------|------------------------------------|
| <b>Fixed rate debt</b>         |              |                                    |              |                                    |
| Secured borrowings             | 265.3        | 4.1                                | 471.6        | 4.0                                |
| Retail Bond                    | -            | -                                  | 80.0         | 6.0                                |
| Convertible Bond               | 100.0        | 4.0                                | 100.0        | 4.0                                |
| Fair value of Convertible Bond | 1.3          | -                                  | (0.2)        | -                                  |
| <b>Total</b>                   | <b>366.6</b> | <b>4.1</b>                         | <b>651.4</b> | <b>4.2</b>                         |
| <b>Floating rate debt</b>      |              |                                    |              |                                    |
| Secured                        | 54.2         | 7.0 <sup>1</sup>                   | 29.3         | 8.9 <sup>1</sup>                   |
| <b>Total</b>                   | <b>420.8</b> | <b>4.4</b>                         | <b>680.7</b> | <b>4.4</b>                         |
| <b>In joint ventures</b>       |              |                                    |              |                                    |
| Floating rate                  | 49.9         | 3.6                                | 55.9         | 3.4                                |
| <b>Total borrowings</b>        | <b>470.7</b> | <b>4.3</b>                         | <b>736.6</b> | <b>4.3</b>                         |

<sup>1</sup> This includes commitment fees on undrawn facilities. Excluding these would reduce the effective rate to 3.9% (31 March 2017: 3.0%).

### Secured Debt

The Group arranges its secured investment and development facilities to suit its business needs as follows:

- Investment facilities**

We have £150m of revolving credit facilities that enable the Group to acquire, refurbish, reposition and hold significant parts of our investment portfolio. Our London investment assets are primarily held in £324m of term loan secured facilities which, where appropriate, allow us to finance refurbishment projects including the redevelopment of The Tower at The Bower, Old Street, London EC1. The value of the Group's properties secured in these facilities at 31 March 2018 was £706m (31 March 2017: £983m) with a corresponding loan to value of 45.3% (31 March 2017: 47%). The average maturity of the Group's investment facilities at 31 March 2018 was 3.8 years (31 March 2017: 4.1 years) with a weighted average interest rate of 4.5% (31 March 2017: 4.3%).

- Joint venture facilities**

We hold a number of investment and development properties in joint venture with third parties and include in our reported figures our share, in proportion to our economic interest, of the debt associated with each asset. The average maturity of the Group's share of bank facilities in joint ventures at 31 March 2018 was 1.7 years (31 March 2017: 2.7 years) with a weighted average interest rate of 3.6% (31 March 2017: 3.4%).

### Unsecured Debt

The Group's unsecured debt, now just reflecting the Convertible Bond at its mark-to-market valuation, is £101.3m (31 March 2017: £179.8m) as follows:

- Retail Bond**

On 2 March 2018, the Group repaid its £80m Retail Bond, issued on 24 June 2013 and originally due for repayment on 24 June 2020. The redemption price of the Bond was calculated on 28 February 2018 based on the benchmark gilt at that time plus a 0.5% margin, in accordance with the terms and conditions of the Bond. The aggregate redemption price of the Bond was £88.7m, a premium of £8.7m over the aggregate issue price of the Bond. Following the redemption of the Bond, the Group's future interest payments will reduce by c.£11.1m in the period to 24 June 2020, a net saving compared to the redemption premium of £2.4m.

- Convertible Bond**

In June 2014, the Group raised £100m from the issue of a listed unsecured Convertible Bond with a 4.0% coupon, repayable in June 2019, or, subject to certain conditions, convertible at the option of the Bond holders into ordinary shares, unless a cash settlement option is exercised by the Company. The initial conversion price has been set at £4.9694 per share, representing a 35% premium above the price on the day of the issue and a premium of 59% above the Company's EPRA net asset value per share at 31 March 2014. The value of the Bond at 31 March 2018, as determined by the listed market price, was £101.3m (31 March 2017: £99.8m).

- Short-term working capital facilities**  
These facilities provide access to additional working capital for the Group.

### Cash and Cash Flow

At 31 March 2018, the Group had £277m (2017: £267m) of cash and agreed, undrawn, committed bank facilities including its share in joint ventures as well as £105m (2017: £17m) of uncharged property on which it could borrow funds.

### Net Borrowings and Gearing

Total gross borrowings of the Group, including in joint ventures, have reduced from £736.6m to £470.7m during the year to 31 March 2018. After deducting cash balances of £103.7m (31 March 2017: £109.0m) and unamortised refinancing costs of £4.1m (31 March 2017: £7.6m), net borrowings reduced from £620.0m to £362.9m. The gearing of the Group, including in joint ventures, reduced from 120% to 68%.

|                                               | 31 March<br>2018 | 31 March<br>2017 |
|-----------------------------------------------|------------------|------------------|
| See-through gross borrowings                  | £470.7m          | £736.6m          |
| See-through cash balances                     | £103.7m          | £109.0m          |
| Unamortised refinancing costs                 | £4.1m            | £7.6m            |
| See-through net borrowings                    | £362.9m          | £620.0m          |
| Shareholders' Funds                           | £533.9m          | £516.9m          |
| See-through gearing<br>- IFRS net asset value | 68%              | 120%             |

### Hedging

At 31 March 2018, the Group had £366.6m (31 March 2017: £651.4m) of fixed rate debt with an average effective interest rate of 4.1% (31 March 2017: 4.2%) and £54.2m (31 March 2017: £29.3m) of floating rate debt with an average effective interest rate, excluding commitment fees, of 3.9% (31 March 2017: 3.0%). In addition, the Group had £15.0m of interest rate caps at an average of 0.75% (31 March 2017: £3.3m at 0.75%). In our joint ventures, the Group's share of fixed rate debt was £nil (31 March 2017: £nil) and £49.9m (31 March 2017: £55.9m) of floating rate debt with an effective rate of 3.6% (31 March 2017: 3.4%) with interest rate caps set at 1.5% plus margin on £24.4m (31 March 2017: £61.8m) and 0.5% plus margin on £58.0m (31 March 2017: £56.9m).

### TIM MURPHY

Finance Director

24 May 2018

# PRINCIPAL RISKS REVIEW

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 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 regularly by the Audit and Risk Committee and by the full Board.

“...the identification and management of risks and opportunities is part of the mindset of all decision makers at Helical.”

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

#### VIABILITY STATEMENT

The Directors have assessed the viability of the Group for a period of five years to March 2023, being the period for which the Board regularly reviews forecasts and which encompasses the lifetime of the Group's major development projects. The Board does consider the future performance of the Group beyond the five years but a longer timeframe involves less certainty over the forecasting assumptions.

The viability of the Group is reviewed throughout the year and through multiple channels, detailed below:

- The strategic direction of the Group is established by the Board once a year and is captured in the Business Plan which forms the basis of the detailed budgets and actions for the year;
- The Board and Audit and Risk Committee review the principal risks of the Group twice a year, reassessing the severity of each risk and determining the Group's proposed response;

- The five-year forecasts for the Group are updated and reviewed by the Board and Executive Committee on a quarterly basis; and
- Management reviews the short-term (three-four months) cash requirements of the Group on a bi-monthly basis and cash balances and movements are monitored daily.

In making their assessment, the Board considers the principal risks and then assesses the potential impacts in severe, but plausible, downside scenarios together with the likely effectiveness of mitigating actions that the Group would have at its disposal.

The most relevant risks and the potential impact of them on the viability of the Group are considered to be:

- A significant reduction in the fair value of the Group's property portfolio, which could result in the Group breaching loan covenants and being required to repay a proportion of borrowings;

- A lack of demand from tenants as the Group's development properties near practical completion, which could reduce the Group's levels of rental income and profitability; and
- An inability to maintain sufficient levels of rental income, which could present a short-term liquidity risk for the Group.

The Group subjected the cashflow forecasts to sensitivity analysis in which it assessed the impact of significant reductions to the property portfolio fair value and associated rental income on the Group's loan covenants.

Based on the outcomes of the procedures outlined above and other matters considered by the Board, it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

## OUR PRINCIPAL RISKS

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

### STRATEGIC RISKS

Strategic risks are external risks that could prevent the Group delivering its strategy. These risks principally impact our decision to purchase or exit from a property asset.

The Group's strategy is inconsistent with the market

Links to strategy  
Portfolio

#### Risk description

Changing market conditions could hinder the Group's ability to buy and sell properties envisioned in its strategy. The location, size and mix of properties in the Helical portfolio determine the impact of the risk.

If the Group's chosen markets underperform, the impact on the Group's liquidity, investment property revaluations and rental income is greater.

#### Mitigation/action

Management constantly monitors the market and makes changes to the Group's strategy in light of market shifts.

The Group's management is highly experienced and has a strong track record of understanding the property market.

Due to the Group's small management team, changes in strategy can be implemented quickly.

The Group carries out significant development projects

Links to strategy  
Portfolio

#### Risk description

The Group carries out significant development projects over several years and is therefore exposed to fluctuations in the market over time.

#### Mitigation/action

Management carefully reviews the risk profile of individual developments and in some cases builds properties in several phases to minimise the exposure to reduced demand for particular asset classes or geographical locations over time. The Group limits the number of speculative developments it does on its own balance sheet.

Property values decline/reduced tenant demand for space

Links to strategy  
Portfolio

#### Risk description

The property portfolio is at risk of revaluation falls, through changes in market conditions, including under performing sectors or locations, lack of tenant demand or general economic uncertainty.

#### Mitigation/action

The Group's property portfolio has tenants from diverse industries, reducing over-exposure to one sector. Management reviews external data, seeks the advice of industry experts and monitors the performance of individual assets and sectors in order to dispose of non-performing assets and rebalance the portfolio for the changing market.

Political risk

Links to strategy  
Portfolio/People/Capital

#### Risk description

There is a risk that regulatory and tax changes could adversely affect the market in which the Group operates and changes in legislation could lead to delays in receiving planning permission.

There remains uncertainty over the outcome of the United Kingdom's decision to leave the European Union.

#### Mitigation/action

Management seeks advice from experts to ensure it understands the political environment and the impact of upcoming regulatory and tax changes on the Group. It maintains good relationships with planning consultants and local authorities.

## FINANCIAL RISKS

Financial risks are those that could prevent the Group from funding its chosen strategy, both in the long and short term.

### Availability of bank borrowing and cash resources

Links to strategy  
Capital

#### Risk description

The inability to roll over existing facilities or take out new borrowing would impact on the Group's ability to maintain its current portfolio and purchase new properties. The Group may forego opportunities if it does not maintain sufficient cash to take advantage of them as they arise.

#### Mitigation/action

The Group maintains a good relationship with many established lending institutions and borrowings are spread across a number of these.

Funding requirements are reviewed bi-monthly by management, who seek to ensure that the maturity dates of borrowings are spread over several years.

Management monitors the cash levels of the Group on a daily basis and maintains sufficient levels of cash resources and undrawn committed bank facilities to fund opportunities as they arise.

### Breach of loan covenants

Links to strategy  
Capital

#### Risk description

If the Group breaches debt covenants, lending institutions may require the early repayment of borrowings.

#### Mitigation/action

Covenants are closely monitored throughout the year. Management carries out sensitivity analyses to assess the likelihood of future breaches based on significant changes in property values or rental income.

### Increase in cost of borrowing

Links to strategy  
Capital

#### Risk description

The Group is at risk of increased interest rates on unhedged borrowings.

#### Mitigation/action

The Group hedges the interest rates on the majority of its borrowings, effectively fixing the rates over several years.

## PRINCIPAL RISKS REVIEW CONTINUED

### OPERATIONAL RISKS

Operational risks are internal risks that could prevent the Group from delivering its strategy.

#### Employment and retention of key personnel

Links to strategy  
People

#### Risk description

The Group's continued success is reliant on its management and staff and successful relationships with its joint venture partners:

#### Mitigation/action

The senior management team is very experienced and the average length of service is high. The Nominations Committee and Board regularly review succession planning issues and remuneration is set to attract and retain high calibre staff.

The Group has well established relationships with joint venture partners.

#### Reliance on key contractors and suppliers

Links to strategy  
Portfolio/People

#### Risk description

The Group is dependent on the performance of its key contractors and suppliers for successful delivery of its development property assets.

#### Mitigation/action

The Group actively monitors its development projects and uses external project managers to provide support. Potential contractors are vetted for their quality, health and safety record and financial viability before being engaged. They are then closely managed throughout the development process.

#### Inability to asset manage, develop and let property assets

Links to strategy  
Portfolio

#### Risk description

The Group relies on external parties to support it in asset managing, developing and letting its properties, including planning consultants, architects, project managers, marketing agencies, lawyers and managing agents.

#### Mitigation/action

The Group has a highly experienced team managing its properties. It seeks to maintain excellent relationships with its specialist professional advisors. Management actively monitors these parties to ensure they are delivering the required quality on time.

#### Health and safety/bribery and corruption risk

Links to strategy  
Portfolio/People

#### Risk description

The nature of the Group's operations and markets expose it to potential health and safety and bribery and corruption risks both internally and externally within the supply chain.

#### Mitigation/action

The Group reviews and updates its Health and Safety policy regularly and it is approved by the Board annually. The Group engages an external health and safety consultant to review contractor agreements prior to appointment to ensure they have appropriate policies and procedures in place, then monitors the adherence to policies throughout the project.

The Executive Committee reviews the report by the external consultant every month and the Board reviews them at every scheduled meeting. The internal asset managers carry out regular site visits.

The Group's anti-bribery and whistleblowing policies are reviewed and updated annually and projects with greater exposure to bribery and corruption are monitored closely. The Group avoids doing business in high risk territories.

All employees are required to complete an online anti-bribery and corruption course and to submit details of corporate hospitality and gifts received.

#### Property acquisitions or disposals are linked to criminal activities

Links to strategy  
Portfolio

#### Risk description

The Group is exposed to the potential risk of acquiring or disposing of a property where the owner/purchaser has been involved in criminal conduct or illicit activities.

#### Mitigation/action

The Group engages legal professionals to undertake due diligence and money laundering checks as well as obtaining documentation on checks performed by the vendor's legal team.

All property transactions are reviewed and authorised by the Executive Committee.

### Disruption to the business from failure of Information Technology systems

Links to strategy  
People

#### Risk description

The Group relies on Information Technology to perform effectively. Failure would adversely affect the Group's operations.

Commercially sensitive and personal information is electronically stored by the Group. Theft of this information could adversely impact the Group's commercial advantage and result in penalties where the information is protected by law (GDPR).

The Group is at risk of being a victim of social engineering fraud.

#### Mitigation/action

The Group engages and actively manages external Information Technology experts to ensure the systems operate effectively and that we respond to the evolving IT security environment. This includes regular off-site backups and a comprehensive disaster recovery process.

The external provider also ensures the system is secure and this is subject to routine testing including bi-annual disaster recovery tests.

There is a robust control environment in place for invoice approval and payment authorisations including authorisation limits and a dual sign off requirement for large invoices and bank payments.

The Group provides training, and there are procedures in place, to identify emails of a suspicious nature ensuring these are flagged to the IT providers and employees do not open attachments or follow instructions within the email.

## REPUTATIONAL RISKS

Reputational risks are those that could affect the Group in all aspects of its strategy.

### Poor management of stakeholder relations

Links to strategy  
People

#### Risk description

The Group risks suffering from reputational damage resulting in a loss of credibility with key stakeholders including Shareholders, analysts, banking institutions, contractors, managing agents, tenants, property purchasers/sellers and employees.

#### Mitigation/action

The Group believes that by successfully delivering its strategy and mitigating its strategic, financial and operational risks its good reputation will be protected.

The Group regularly reviews its strategy and risks to ensure it is acting in the interests of its stakeholders.

The Group maintains a strong relationship with investors and analysts through regular meetings.

The Group has a formal approval procedure for all press releases and public announcements.

A Group Disclosure Policy and Share Dealing Code, Policy & Procedures have been circulated to all staff in accordance with the EU Market Abuse Regulation (MAR).

### Modern Slavery and Human Trafficking

Links to strategy  
People

#### Risk description

The Group would attract criticism and negative publicity were any instances of "modern slavery" identified within its supply chain.

#### Mitigation/action

Our Modern Slavery Act statement, which is prominently displayed on our website, gives details of our policy and our approach.

### General Data Protection Regulation (GDPR)

Links to strategy  
People

#### Risk description

The Group would attract criticism and negative publicity if instances of non-compliance with GDPR were identified. Non-compliance may also result in financial penalties.

#### Mitigation/action

The Group monitors its GDPR compliance which ensures appropriate safeguards, policies, procedures, contractual terms and records are implemented and maintained in accordance with the regulation.

# RESPONSIBLE ENVIRONMENTAL AND SOCIAL PRACTICES

PEOPLE

ENVIRONMENT

CHARITABLE,  
COMMUNITY  
AND SOCIAL  
ACTIVITIES

HEALTH  
AND SAFETY

## CORPORATE RESPONSIBILITY FRAMEWORK

Our management of our corporate responsibilities is achieved through a focus on four key areas above.

An endorsement of Helical's commitment to managing environmental and social impacts is its 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, and informs the evolving approach to Corporate Responsibility and Sustainability.

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

"WE TAKE GREAT PRIDE IN DEVELOPING HIGH QUALITY PUBLIC REALM AS PART OF OUR DEVELOPMENTS, AS WE RECOGNISE THAT THIS IMPACTS ON THE WIDER LOCAL COMMUNITY AS WELL AS OUR TENANTS."

Gerald Kaye  
Chief Executive

Helical implements responsible environmental and social practices across its business, via partners, contractors and suppliers and through its joint venture activities.

#### MANAGING CORPORATE RESPONSIBILITY

Each year Helical reviews and updates its environmental management system, which has been in place since 2003. The environmental management system is available on the Company website and key elements of the system include:

- Environment and Corporate Responsibility policies which set out the Group's high-level commitment across a number of impact areas. These are reviewed annually at Board level and are implemented by the senior management team;
- Annual (and rolling) performance targets to enable Helical to focus its efforts throughout the year on measurable and achievable performance goals;
- Key Performance Measures to help Helical monitor progress towards these targets and to ensure it can report in line with investor disclosure requirements, notably FTSE4Good;
- Checklists to assist in applying minimum sustainability requirements across its development activities. Helical has developed a sustainability project management checklist to ensure that sustainability issues are incorporated into all decisions throughout the development lifecycle. In addition, an Environmental Impact Checklist is issued to individual contractors in order to address corporate goals at the construction stage; and
- Effective use of review through quarterly meetings of key Helical personnel, external Corporate Responsibility advisors and principal managing agents to ensure effective delivery of the objectives and targets.

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

We comment overleaf on some of the highlights across our four key areas.

## PEOPLE

Helical has a small core team, working closely with trusted partners in multiple disciplines. Our success is built on the skills of our staff and therefore finding, developing, rewarding and retaining our people is a key element of our corporate strategy.

As at 31 March 2018, Helical had 32 permanent employees based at the Group's head office in London. In addition, there were two employees in a Polish subsidiary.

The information set out below is in respect of the head office only.

Gender diversity of the Board and the Company as at 31 March 2018 is set out in the charts to the left.

Helical continues to enforce its 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 the business. Staff turnover is low at 15.2% (representing five permanent employees leaving in the year). Helical has retained a highly skilled and experienced team and the table below shows a breakdown of staff by length of service:

|                     | Total number of staff as at 31 March 2018 | Average length of service (years) |
|---------------------|-------------------------------------------|-----------------------------------|
| Executive Directors | 3                                         | 23.8                              |
| Executives          | 18                                        | 6.0                               |
| All employees       | 32                                        | 7.9                               |

Helical's staff retention levels not only reflect competitive remuneration and benefits packages, but also its commitment to enhancing the professional and personal skills of its team by supporting employee training and development, by means of training courses, seminars and mentoring.

As in previous years, Helical continues to evaluate training needs in line with business objectives. Collectively, our people spent approximately 530 hours on training and development during the year, an average of two days per employee.

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

As Helical operates with a small team, our ability to establish excellent long-term relationships with our advisers, agents and other suppliers is very important. As part of this, fair treatment of suppliers remains a key priority for Helical and the Group's policy is to settle all agreed liabilities within the terms established with them.

## ENVIRONMENT

The Group's corporate commitments to environmental issues are outlined in the Group's Environmental Policy which can be found on the Company's website.

The policy details Helical's commitments across a range of impact areas and its development and property management activities. The Group sets itself targets to guide its environmental responsibilities, including resource use and waste production, pollution, biodiversity, timber sourcing, tenant engagement, flood risk and sustainable design and construction.

Full details of the Group's performance against the targets during the year are available in the Environment section of the Company's website, but a selection of highlights are presented below:

- Due to changes in the portfolio over the year, it is difficult to provide meaningful overall like-for-like statistics. However, of the properties that can be compared:
  - The Shepherds Building, London W14 has shown a small decrease in electricity consumption of 0.5%, which can be partially attributed to the ongoing efforts to improve energy efficiency of the common parts with passive infrared (PIR) sensors and light-emitting diodes (LEDs). Water consumption decreased by 21% which is reflective of varying usage based on occupancy levels;
  - The Hub, Glasgow has shown a small decrease in electricity consumption of 2% and gas consumption of 5%. This can be attributable to efforts to improve the energy efficiency of the common parts with PIR sensors and LEDs, along with variations in occupancy levels;
  - The Loom, London E1 has shown an increase of 20% in electricity consumption compared with last year. This is attributable to the mechanical and electrical plant at the property now being fully operational and an increase in occupancy;

## STAFF TURNOVER

**15.2%**

**530 hours**

SPENT COLLECTIVELY ON TRAINING AND DEVELOPMENT DURING THE YEAR

- The Warehouse at 211 Old Street, London EC1 has shown a marginal increase in electricity consumption of 1% which can be attributed to varying occupancy levels. This is the first year a like-for-like comparison is possible and the property will continue to be monitored for potential opportunities for improvements; and

- Churchgate & Lee House, Manchester has shown reductions in energy and water consumption compared with last year of 17% for electricity, 10% for gas and 34% for water. These are principally attributed to improved basement car park lighting, smart intelligent lighting control systems and changes to occupancy.

- The Group continues to offer recycling facilities at the larger of its managed assets. Where data is available Helical exceeded its ongoing target of a recycling rate of at least 50% at the majority of its properties, with over 80% of waste generated being recycled at properties including The Loom, London E1, The Bower, London EC1, The Hub, Glasgow, and 25 Charterhouse Square, London EC1.

- In line with the mandatory requirement for reporting its greenhouse gas emissions, Helical provides a separate disclosure in this report. This is based on all the data that has been made available to us.

## GREENHOUSE GAS (GHG) EMISSIONS REPORTING

For the reporting year to 31 March 2018 the UK Government's 2017 Conversion Factors have been used. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries.

- **Scope 1** – direct emissions includes any gas data for landlord controlled parts and fuel use for Group owned vehicles. Fugitive emissions from air conditioning are included where it is Helical's responsibility within the managed portfolio, when the data is available.
- **Scope 2** – indirect energy emissions includes purchased electricity throughout the Group's operations within landlord controlled parts. Electricity used in refurbishment projects has been recorded separately where appropriate. 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, and contractors have been required to collect project specific data.

## OVERALL GHG EMISSIONS DECREASED BY

# 43%

The table below highlights that overall GHG emissions have decreased by 43% year on year. The primary reason for this is the reduction in Helical's portfolio, alongside the reduction in the 2017 Conversion Factors resulting from the increased inclusion of renewable energy in the UK grid.

## LIKE-FOR-LIKE SCOPE 1 AND 2 EMISSIONS DECREASED BY

# 12%

Data for last year has been restated due to metering and billing issues at a number of properties, in particular Churchgate & Lee House, Manchester, and 35 Dale Street, Manchester. For Scope 2 this resulted in an increase of 237 tonnes to the reported figure for the prior year.

Due to the changing portfolio, the like-for-like GHG emissions are only reported for a small number of properties (eight properties for electricity and two properties for gas). Both like-for-like consumption and associated GHG emissions have reduced across the portfolio for the reporting period. Like-for-like Scope 1 and 2 emissions have decreased by 12% which demonstrates that the improvements made in energy efficiency, light fittings and sensors coupled with a continued greater awareness regarding personal impact on consumption have proved effective across the portfolio.

Four multi-let office buildings can report on carbon intensity. At Churchgate & Lee House, Manchester, The Hub, Glasgow, The Loom, London E1 and The Shepherds Building, London W14, the average carbon intensity equates to 0.12 tCO<sub>2</sub>e/m. These levels are consistent with last year's performance.

Greenhouse gas emissions (tonnes CO<sub>2</sub>e) are set out below for the year.

|                             | Total portfolio<br>Tonnes CO <sub>2</sub> e |                          | Like-for-like portfolio<br>Tonnes CO <sub>2</sub> e |                       |
|-----------------------------|---------------------------------------------|--------------------------|-----------------------------------------------------|-----------------------|
|                             | Year ended<br>31.3.18                       | Year ended<br>31.3.17    | Year ended<br>31.3.18                               | Year ended<br>31.3.17 |
| Scope 1: Direct emissions   | 796                                         | 1,009                    | 487                                                 | 473                   |
| Scope 2: Indirect emissions | 1,997                                       | 3,865 <sup>1</sup>       | 1,459                                               | 1,747                 |
| <b>Total all scopes</b>     | <b>2,793</b>                                | <b>4,874<sup>1</sup></b> | <b>1,946</b>                                        | <b>2,220</b>          |

<sup>1</sup> Restated figures for the year ended 31 March 2017.

The specific target set by Helical is to reduce energy consumption by 2% pa in the principal managed assets. As discussed earlier in this section of the report, year on year performance is variable across the portfolio and complicated by the changing nature of the portfolio through acquisition and divestment, increasing occupancy and ongoing refurbishment of the component assets. The like-for-like portfolio has seen an improvement of 12% on the 2017 baseline performance achieving the 2% reduced energy consumption target.

## HEALTH & SAFETY

Helical has a corporate culture that is committed to the prevention of injuries and ill health to its employees or other people that may be affected by its activities. The Group's Health & Safety Policy reflects this commitment. The Board of Directors and senior executives are responsible for implementing this policy and they look to ensure that health and safety considerations are always given priority in planning and day-to-day activities.

- The Group's Health & Safety Policy was last reviewed and updated in February 2018 to reflect the latest legislative and regulatory developments. Training of Helical staff in the updated Health & Safety Policy and supporting CDM requirements has been undertaken during the reporting year.
- The Group's Health & Safety Policy can be found on the Company's website and a summary of performance for the active sites is below. This is based on all the data that has been made available to us.

## REDUCTION IN LOST TIME ACCIDENTS IN THE YEAR

**69%**

## TOTAL CONSTRUCTION HOURS DURING THE YEAR WITH NO FATALITIES OR MAJOR ACCIDENTS

**2m hours**

- Helical has delivered nearly two million hours of construction during the year with no fatalities or major accidents and only five RIDDOR reportable incidents. The majority of Helical projects are managed by principal contractors holding OHSAS 18001 certification and that maintain 100% Construction Skills Certification Scheme (CSCS) accreditation for all full time and subcontracted staff.

|                                 | Number of Lost Time accidents | Number RIDDOR reportable | Number of fatalities | Number of hours worked | Accident frequency rate for Lost Time accidents | Accident frequency rate for RIDDOR reportable |
|---------------------------------|-------------------------------|--------------------------|----------------------|------------------------|-------------------------------------------------|-----------------------------------------------|
| Year ended 31.3.17 <sup>1</sup> | 16                            | 9                        | 0                    | 2,812,723              | 0.57                                            | 0.32                                          |
| Year ended 31.3.18              | 5                             | 5                        | 0                    | 1,959,183              | 0.41                                            | 0.15                                          |

<sup>1</sup> The year ended 31 March 2017 comparatives have been restated to reflect additional information obtained subsequent to the publication of the 2017 Annual Report.

## CHARITABLE, COMMUNITY AND SOCIAL INITIATIVES

Helical takes a strong interest in charitable, community and social issues. We recognise that the buildings that we own and develop have an impact on the local environment and the communities that live and work there and we believe that engagement with those communities is an important part of our activities. Community engagement is an ongoing concern throughout the development process, from planning until development completion and operation.

Helical has social media accounts on Twitter, LinkedIn and Instagram in order to communicate more effectively with our tenants and other stakeholders, in addition to our online newsletter, City Life, which includes articles on the Group's projects, occupiers and contributing partners. These can all be accessed through the Helical website.

As part of our commitment to the regions in which we operate, we regularly support community initiatives. Some examples from the year to 31 March 2018 include:

- A number of charity fundraising and networking events have been held at The Shepherds Building, London W14. Over the last 12 months we have worked with local charity "Shepherds Bush Family Projects" to support the local community, those less fortunate than others and the homeless;
- At Churchgate & Lee House, Manchester, the team attended a local conference linked to Manchester Metropolitan University about coffee cup recycling and litter prevention and invited tenants along to join. We have also held several events for our tenants that have involved partnerships with local businesses, organisations and musicians and promoting health lifestyles;
- We have set up the Manchester Community Loyalty Scheme which is available to the tenants of our Manchester properties. The scheme supports and encourages the use of local businesses through a Loyalty Card system. To date, 422 members of staff at our tenants in both Churchgate & Lee House and 35 Dale Street have signed up to the scheme;
- At Power Road Studios, London W4, numerous successful social events to promote health awareness and sporting events such as Wimbledon and the Football World Cup have been held;

- Helical continues to be a member of The Aldgate Partnership ("TAP"), formed in 2014 to help drive a powerful agenda for change. Membership of the group currently includes landowners, commercial occupiers, and developers. TAP works in partnership with its members to develop Aldgate as "One Location", delivering a range of interventions to support community development and develop a premier business hub with high quality public realm and environment that produces a safe, convenient and inspiring destination for all employees, residents and visitors;
- During the year Helical staff raised funds for numerous charities, most particularly LandAid, the property industry's charity. LandAid works with young disadvantaged people in the UK who are living on the streets, or who are at severe risk of homelessness, to provide them with accommodation and training as well as working to tackle the root causes of homelessness. In addition to LandAid activities, Helical also entered a hand-decorated rubber duck in the 2018 Manchester Duck Race to help raise funds for Brainwave, a charity that exists to help children with disabilities and additional needs;
- Alongside the Group's formal charitable activities, Helical employees raise funds for charities on a personal basis and, where appropriate, the Group will make donations to help the staff reach their fundraising goals;
- To help encourage young people to enter the property industry, for over ten years Helical has held a work experience event comprising a two-day intensive introductory programme into London Real Estate run by Helical's Chief Executive with support from the senior members of the Property team. The package is available to 8-10 students studying either a BA or Masters in Real Estate or an equivalent qualification; and
- During February and March 2018 we conducted an occupier survey at four of our core multi-let London portfolio properties. 55% of the tenants at these properties took part with 94% of those surveyed being pleased that they moved into the buildings. The useful feedback obtained from this survey will enable us to improve the overall experience for our tenants, their employees and, by extension, the local communities in which our buildings are located.

#### FUTURE ENVIRONMENTAL RISKS AND OPPORTUNITIES

Helical recognises that changing social and environmental factors need to be taken into account when considering our broad business strategies, as these may give rise to opportunities to be exploited or risks to be mitigated. Such factors include:

- The uncertainties surrounding future changes to environmental and social legislation and potential changes to labour markets following the UK's decision to leave the European Union;
- The implications for the property sector of global agreements to tackle climate change and more local actions that may be taken to tackle specific environmental issues (for example measures to reduce air pollution in city centres); and
- Broader technological and social changes that may impact on our tenants, our partners and the wider communities where our properties are sited.

As a Group, we keep such matters under review and act as necessary to ensure that we meet our obligations.

The Strategic Report, on pages 2 to 59, was approved by the Board on 24 May 2018.

On behalf of the Board

  
GERALD KAYE  
Chief Executive

# GOVERNANCE

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. It comprises a Non-Executive Chairman, a Chief Executive, five Non-Executive Directors and two Executive Directors. The Board delegates operational responsibilities to an Executive Committee and governance responsibilities to Nominations, Audit and Risk, Remuneration and Property Valuations Committees whilst retaining overall responsibility for the running of the Company.

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## CHAIRMAN'S REVIEW

**MICHAEL SLADE**  
CHAIRMAN

The Company has had a good year, having completed its transformation into a London and Manchester office investment and development company.

### DEAR SHAREHOLDER,

Having sold c.£350m of investment property as well as its entire retirement village portfolio during the year, the streamlined Company is focused on maximising value from its current portfolio and seeking new opportunities for future growth.

### COMPOSITION OF THE BOARD

The composition of the Board is discussed in greater detail in the Nominations Committee Report on pages 72 to 73.

The period to the 2019 AGM will see several changes to the Board, with Richard Gillingwater stepping down at this year's AGM and my retirement from the Board, after 35 years, at the 2019 AGM. In anticipation of these changes we have appointed Richard Grant as Deputy Chairman, and to be my successor as Chairman, and Richard Cotton as the Senior Independent Director. We have started the process of finding a successor to Richard Grant as Chairman of the Audit and Risk Committee and will announce the results of this in due course.

Good governance is reflected in the contribution that a diverse Board offers and the Company will seek to make further progress in this area in future appointments to the Board.

### BOARD DECISIONS

The year to 31 March 2018 was a transformational year in the life of Helical plc and much of the business of Board meetings was taken up by discussions regarding the sale of the retirement village and industrial portfolios, as well as the strategic decision to become a London and Manchester office investment and development company.

In addition, the Board meeting agendas during the year contained many issues including:

- a review of the Group's corporate, property and financial strategy;
- a complete review of the Company's compliance with the UK Corporate Governance Code 2016;
- consideration and approval of significant property transactions; and
- completion of the changes to the composition of the Board.

### ANNUAL STRATEGY REVIEW

In September 2017, the Board conducted an off-site strategic review of the business, examining the economic, geopolitical, societal and environmental risks affecting the business. This review considered the Company's position in the listed sector, its strengths and weaknesses and options for the growth of the business. It confirmed the Executive Directors' short-term objectives of selling the retirement village portfolio and regional offices and the evaluation of the industrial portfolio, subsequently sold by March 2018. The review also confirmed the Company's intention of becoming a London and Manchester office investor and developer, holding a high quality portfolio of multi-let flexible offices.

### BOARD EVALUATION

In the year to 31 March 2017, the Board evaluation was undertaken by an external advisor. The overall findings noted that Helical has an effective Board with many strengths. Recognising that some improvements could be made, last year's Governance Review noted the actions to be taken during the year to 31 March 2018. I am pleased to report that progress has been made on all fronts. This progress is discussed in further detail on page 69. The internal evaluation review undertaken in 2018 noted a few areas for improvement and these are also noted on page 69.

### BOARD COMMITTEES

The work of the Nominations, Remuneration and Audit and Risk Committees is discussed in detail in their individual reports on pages 72 to 93. With regard to remuneration, and in the light of increasing Shareholder scrutiny of this area, I note that Shareholders approved the Company's Directors' Remuneration Report at the 2017 AGM with 84% in favour. Given the level of support and feedback from investors and their representative bodies, and in light of a reshaping of the Group's activities since the last review, a desire to simplify the Company's remuneration schemes, reduce award levels and to reflect continued developments in best practice, the Remuneration Committee has engaged with the Company's principal Shareholders (accounting for more than 65% of issued share capital) and is proposing a new Remuneration Policy at the 2018 AGM.

### INVESTOR RELATIONS

We have an extensive programme of meetings and presentations with Shareholders throughout the year with the majority of these taking place in the periods following our annual and half year results.

The Chief Executive, Gerald Kaye, and the Finance Director, Tim Murphy, attended the majority of these meetings during the year, with Matthew Bonning-Snook also attending as appropriate. Richard Cotton and I are available to meet Shareholders if they wish to discuss any matters with us.

### SUMMARY

Finally, I would like to thank my fellow Non-Executive Directors, Gerald Kaye and his Executive team, the senior property professionals, finance team and all the staff for their hard work during the year.

The following pages describe in greater detail our governance structure and the work of the Board and its Committees.

**MICHAEL SLADE**  
Chairman

24 May 2018

## GOVERNANCE STRUCTURE

### BOARD OF DIRECTORS

| EXECUTIVE COMMITTEE                                                                                                                                                                                                                       | NOMINATIONS COMMITTEE <sup>1</sup>                                                                                                                                                                                                                                  | AUDIT AND RISK COMMITTEE                                                                                                                                                                                                                                                                                    | REMUNERATION COMMITTEE <sup>1</sup>                                                                                                                                                                                                                                                                      | PROPERTY VALUATIONS COMMITTEE                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Gerald Kaye<br>Chairman                                                                                                                                                                                                                   | Richard Grant<br>Chairman                                                                                                                                                                                                                                           | Richard Grant<br>Chairman                                                                                                                                                                                                                                                                                   | Michael O'Donnell<br>Chairman                                                                                                                                                                                                                                                                            | Susan Clayton<br>Chairman                                                                                                                   |
| Tim Murphy                                                                                                                                                                                                                                | Susan Clayton                                                                                                                                                                                                                                                       | Susan Clayton                                                                                                                                                                                                                                                                                               | Susan Clayton                                                                                                                                                                                                                                                                                            | Gerald Kaye                                                                                                                                 |
| Matthew Bonning-Snook                                                                                                                                                                                                                     | Richard Cotton                                                                                                                                                                                                                                                      | Richard Cotton                                                                                                                                                                                                                                                                                              | Richard Cotton                                                                                                                                                                                                                                                                                           | Matthew Bonning-Snook                                                                                                                       |
| James Moss                                                                                                                                                                                                                                | Michael O'Donnell                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                             | Richard Grant                                                                                                                                                                                                                                                                                            | Tom Anderson                                                                                                                                |
| Tom Anderson                                                                                                                                                                                                                              | Michael Slade                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                          |                                                                                                                                             |
| Responsibilities<br>Assists the Chief Executive in the performance of his duties and ensures that the Group's strategy is implemented, subject to the limitations of authority set out in the schedule of matters reserved for the Board. | Responsibilities<br>Ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, leads the process for Board appointments, makes recommendations to the Board and supports the annual Board evaluation process. | Responsibilities<br>Reviews and monitors the integrity of the financial information provided to Shareholders, the Company's system of internal controls and risk management, the external audit process and auditors and the processes for compliance with laws, regulations and ethical codes of practice. | Responsibilities<br>Assists the Board to fulfil its responsibility to Shareholders to ensure that the Remuneration Policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements. | Responsibilities<br>Reviews the valuations of the Company's property portfolio and reports to the Audit and Risk Committee on its findings. |

READ P. 72-73

READ P. 74-75

READ P. 76-93

<sup>1</sup> Proposed membership of committees following the 2018 AGM.

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. Following the 2018 AGM, it will comprise a Non-Executive Chairman, a Non-Executive Deputy Chairman, a Chief Executive, three Non-Executive Directors and two Executive Directors. The Board delegates operational responsibilities to an Executive Committee and governance responsibilities to Nominations, Audit and Risk, Remuneration and Property Valuations Committees whilst retaining overall responsibility for the running of the Company.

#### LEADERSHIP

The Chairman is Michael Slade and the Deputy Chairman is Richard Grant. The Chief Executive is Gerald Kaye and the two Executive Directors are Tim Murphy (Finance Director) and Matthew Bonning-Snook (Property Director). The current other Non-Executive Directors are Richard Cotton (Senior Independent Director), Susan Clayton, Richard Gillingwater and Michael O'Donnell. Richard Gillingwater has indicated that, after six years on the Board, he does not intend to offer himself for re-election at the 2018 AGM. With this exception, all the remaining Directors will be offering themselves for re-election at the 2018 AGM.

Biographies of all Directors and details of their shareholdings in the Company are on pages 66 to 67 and 93 respectively.

#### 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 to lead the Board and ensure its effectiveness, whilst the Chief Executive is responsible for running the Company's business. The division of responsibilities is clearly established at Helical, 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.

## BOARD RESPONSIBILITIES

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strategy and management                 | Responsibility for the overall leadership 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; entering into a binding commitment to a major strategic alliance, joint venture partnership or profit sharing arrangement; 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 Company's listing or plc status.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Financial reporting and controls        | Approval of interim and final results announcements; approval of half yearly report and Annual Report and Accounts, including the Directors' Report, Corporate Governance Statement and the Directors' Remuneration Report; approval of dividend policy, recommendation and declaration of dividends; approval of significant changes in accounting policies or practices; 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 and investments; approval of contracts above limits of authority delegated by the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Communication                           | Approval of resolutions and corresponding documentation to be put to Shareholders at a general meeting; approval of all circulars and listing particulars.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Board membership and other appointments | Appointment and removal of the Company Secretary; membership of Board committees following recommendations from the Nominations Committee; proposing resolutions for the appointment, re-appointment or removal of the external auditor to Shareholders for approval, following recommendation of the Audit and Risk Committee.                                                                                                                                                                                                                                                                                         |
| Corporate governance matters            | Undertaking a formal and rigorous review of its own performance; considering the balance of interests between Shareholders, employees and other stakeholders; authorising conflicts of interest where permitted by the Company's Articles of Association; reviewing the Company's overall 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 core policies               | Including health and safety policy; anti-bribery policy; anti-slavery policy; whistleblowing procedures; equal opportunities policy; diversity policy; disclosure policy and share dealing code; data protection policy; environmental and corporate social responsibility policy; and charitable donations policy.                                                                                                                                                                                                                                                                                                     |
| Delegation of authority                 | The division of responsibilities between the Chairman and the Chief Executive, approval of any delegated levels of authority, establishment of Board committees and approval of their terms of reference.                                                                                                                                                                                                                                                                                                                                                                                                               |

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 for the 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, at least annually, will hold meetings with the Non-Executive Directors without the Executive Directors present. The 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 team. An Executive Committee, comprising all Executive Directors and two senior executives, meets monthly to discuss the development of strategy; to review and implement proposed transactions, to review health and safety and other policies and procedures, 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 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 above.

## BOARD OF DIRECTORS

(N) NOMINATIONS COMMITTEE

(A) AUDIT AND RISK COMMITTEE

(R) REMUNERATION COMMITTEE

(V) PROPERTY VALUATIONS COMMITTEE

(E) EXECUTIVE COMMITTEE

□ COMMITTEE CHAIRMAN

(S) SECRETARY TO THE COMMITTEES AND BOARD

**MICHAEL SLADE**  
CHAIRMAN

(N)

Board meetings attended 6/6

Tenure 34 years

### Skills and experience

Michael Slade, BSc (Est Man) FRICS, joined the Board as an Executive Director in 1984, was appointed Chief Executive in 1986 and Chairman in 2016. He is to step down from the Board at the 2019 AGM.

### Other external appointments

Mike is President of LandAid, 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. In April 2017, Mike was appointed Chairman of The Royal Marsden Cancer Charity's Clinical Care and Research Centre Appeal to build a £50m global cancer treatment and research centre at The Royal Marsden NHS Foundation Trust.

**GERALD KAYE**  
CHIEF EXECUTIVE

(E)(V)

Board meetings attended 6/6

Tenure 24 years

### Skills and experience

Gerald Kaye, BSc (Est Man) FRICS, was appointed Chief Executive in 2016. He joined the Board as an Executive Director in 1994, responsible for the Group's development activities. Gerald is a past President of the British Council for Offices, a former Director of London & Edinburgh Trust Plc and former Chief Executive of SPP. LET. EUROPE NV.

**TIM MURPHY**  
FINANCE DIRECTOR

(E)

Board meetings attended 6/6

Tenure 6 years

### Skills and experience

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. He is responsible for the financial statements and reporting, treasury and taxation.

**MATTHEW BONNING-SNOOK**  
PROPERTY DIRECTOR

(E)(V)

Board meetings attended 6/6

Tenure 11 years

### Skills and experience

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).

**RICHARD GRANT**  
DEPUTY CHAIRMAN AND CHAIRMAN  
OF THE AUDIT AND RISK COMMITTEE

(A)(N)(R)

Board meetings attended 6/6

Tenure 6 years

### Skills and experience

Richard Grant, BA (Oxon), ACA, has more than 40 years' experience including as Finance Director of Cadogan Estates Limited and as Corporate Finance Partner at PwC. He is current Chairman of the Audit and Risk Committee and will become Chairman of the Nominations Committee at the 2018 AGM. Richard is Deputy Chairman of the Company and will become Chairman at the 2019 AGM.

### Other external appointments

Chairman of Stenprop Limited.

**RICHARD COTTON**  
SENIOR INDEPENDENT DIRECTOR

(A)(N)(R)

Board meetings attended 6/6

Tenure 2 years

### Skills and experience

Richard Cotton was appointed to the Board as a Non-Executive Director in March 2016 and as Senior Independent Director in March 2018. Richard was formerly head of UK Real Estate at J.P. Morgan Cazenove which he left in 2009 and spent the subsequent five years at Forum Partners. He was previously Chairman of Centurion Properties and a Non-Executive Director of Hansteen Holdings plc.

### Other external appointments

Non-Executive Director of Big Yellow Group plc and a member of the Commercial Development Advisory Group of Transport for London.

**SUSAN CLAYTON**  
CHAIRMAN OF THE PROPERTY  
VALUATIONS COMMITTEE

**V A N R**

Board meetings attended 6/6

Tenure 2 years

**Skills and experience**

Susan Clayton, FRICS, was appointed to the Board in February 2016. Sue is a former Managing Director of CBRE's Capital Markets Team. She has sat on the CBRE UK Management and Executive Boards and on the CBRE Group Inc. Board as Employee Director.

**Other external appointments**

Executive Director, CBRE and Chair of CBRE UK's Women's Network, Board Member of the Committee of Management of Hermes Property Unit Trust, a Trustee of the Reading Real Estate Foundation, Chair of Barwood Property Fund 2017 and, with effect from 1 June 2018, a Non-Executive Director of SEGRO plc.

**RICHARD GILLINGWATER**  
CHAIRMAN OF THE  
NOMINATIONS COMMITTEE

**N R**

Board meetings attended 6/6

Tenure 6 years

**Skills and experience**

Richard Gillingwater, CBE, was appointed to the Board in 2012. He was, until 2013, Dean of Cass Business School. Prior to this he spent ten 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, Chairman of CDC Group plc and has also been a Non-Executive Director of P&O, Debenhams, Tomkins, Qinetiq Group, Kidde and Wm Morrison Supermarkets plc.

Richard has notified the Company that after six years on the Board, he does not intend to offer himself for re-election at the 2018 AGM.

**Other external appointments**

Non-Executive Chairman of Janus Henderson Group plc and of SSE plc. Senior Independent Director of Whitbread plc.

**MICHAEL O'DONNELL**  
CHAIRMAN OF THE  
REMUNERATION COMMITTEE

**R N**

Board meetings attended 6/6

Tenure 7 years

**Skills and experience**

Michael O'Donnell was appointed to the Board in June 2011. He is a former Managing Director of LGV Capital, a private equity firm.

**Other external appointments**

Through his company, Ebbtide Partners, he acts as a consultant to, and investor in, private companies.

**JAMES MOSS**  
COMPANY SECRETARY AND  
GROUP FINANCIAL CONTROLLER

**E S**

Board meetings attended 6/6

Tenure 3 years

**Skills and experience**

James Moss, MChem (Hons) (Oxon) FCA, joined Helical in September 2014 as Group Financial Controller and was appointed Company Secretary in May 2015 and to the Executive Committee in March 2018. He was previously at Grant Thornton, where he was responsible for leading audit and other assurance assignments in their Real Estate sector.

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.

During the year under review we have sought to reflect the changes to governance included in the UK Corporate Governance Code 2016, which was fully effective for the year to 31 March 2018.

### CULTURE OF THE COMPANY

In 2016, the Financial Reporting Council ("FRC") issued a report entitled "Corporate Culture and the Role of Boards". During the year under review the Company has continued to reflect the recommendations of the report in its governance structures and culture, with greater engagement and involvement of Board members and employees in identifying, documenting and targeting its strategic aims and objectives. In particular, senior property professionals below Board level regularly make presentations to the Board on assets they are responsible for. In addition, in considering the Company's Annual Strategy Review, the Executive Directors met with and discussed the views of the senior management of Helical and incorporated their views in the final Strategy Report. In taking this action the Company is seeking to reflect the main aims of the FRC report, which are to:

- Connect purpose and strategy to culture;
- Align values and incentives; and
- Assess, measure and report on the Company's culture.

### COMPOSITION OF THE BOARD AND ALIGNMENT TO CORPORATE STRATEGY

The Code requires a Board and its committees to have an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively and in line with its corporate strategy. 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 provide for future succession.

Provision B.1.2 of the Code notes that companies such as Helical, which are below the FTSE 350, are required to have at least two independent Non-Executive Directors. The Board comprises the Chairman, three Executive Directors and five independent Non-Executive Directors, a balance in line with the Code's requirement for FTSE 350 companies.

The Chairman is Michael Slade, former Chief Executive of Helical, who was re-elected as a Director and assumed his new role as Chairman at the 2016 AGM. He was re-elected by Shareholders at the 2017 AGM with 93.95% of votes cast in favour. However, as noted in the 2016 and 2017 Annual Reports, Michael Slade is not considered to have been independent on his appointment as required by the Code. As a consequence, the Board has ensured that there are safeguards in place to counter any concerns regarding his independence status. In particular, he does not chair the Nominations Committee, although he is a member of that Committee, and is not a member of the Audit and Risk or Remuneration Committees. Furthermore, the Board Evaluation process this year was run by Richard Grant, Deputy Chairman, who is considered to be independent under the Code. Notwithstanding this, the Board considers Michael Slade to be of independent character and judgement. In assessing his contribution to the business, the other members of the Board consider Michael Slade to be a valuable asset to the Company, providing over 50 years of experience in the real estate sector. On 9 February 2018, the Company announced that Michael Slade intends to step down from the Board at the 2019 Annual General Meeting, when he will have served three years as Chairman of the Company.

The independent Non-Executive Directors are Richard Grant (Deputy Chairman), Richard Cotton (Senior Independent Director), Susan Clayton, Richard Gillingwater and Michael O'Donnell. Between them the Non-Executive team include the former Finance Director at Cadogan Estates (a real estate family owned trust owning a substantial part of West London),

a former head of UK Real Estate at J P Morgan Cazenove, an Executive Director of CBRE (the leading advisor on commercial property and real estate matters), a current FTSE 100 Chairman and FTSE 100 Senior Independent Director and a private equity corporate advisor with residential experience.

In the Board's view, the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the real estate sector, the listed environment, financial accounting and the Company to discharge their respective duties effectively as required by the Code.

### THE UK CORPORATE GOVERNANCE CODE 2016 (THE "CODE")

The Board is accountable to the Group's Shareholders for good corporate governance. Our governance framework and policies are designed to support good decision-making and thereby contribute to the success of the business over the long term. We have complied throughout the year with the principles as set out in the section of the Code headed "The Main Principles of the Code" and, except where stated above in relation to Michael Slade, we have complied with the provisions of the Code throughout the year under review. A full version of the Code can be found on the Financial Reporting Council's website: [frc.org.uk](http://frc.org.uk). The Board is aware of the Financial Reporting Council's proposed revisions to the Code and Guidance on Board Effectiveness issued in December 2017 which will apply to accounting periods beginning on or after 1 January 2019. The Company will seek to apply the updated principles of the new Code in future periods as appropriate.

### ANNUAL EVALUATION OF THE BOARD

Since the Company is not in the FTSE 350, the Code does not require the Company's annual Board evaluation to be externally facilitated every three years. However, following the changes to the Board in 2016, it retained Sam Allen Associates, an executive search and board evaluation services firm, to carry out an independent external performance evaluation review in early 2017 to ensure that the Group's Board and governance process is highly effective in carrying out its responsibilities. The overall findings noted that Helical has an effective Board with a positive dynamic and a good platform to challenge and support.

During the year to 31 March 2018, the Board undertook an internal formal evaluation process, led by the Deputy Chairman, which involved each Director submitting an appraisal in respect of the performance of the main Board, its Committees and Directors, including the Chairman. The evaluation focused on business strategy and risk, Board composition and independence, internal and external relationships and communication, Shareholder value, Director knowledge and skills and Board operational processes. The Deputy Chairman presented the results of that evaluation process for discussion at the March 2018 Board meeting. The review concluded that the Board and its Committees continue to operate effectively and that each Director contributes effectively and demonstrates commitment to the role.

A summary of the key messages from this year's internal review is set out below, together with an update on the progress made against the recommendations from the external 2017 review.

### KEY MESSAGES FROM 2018

- The Board and its Committees continue to operate effectively, and each Director contributes effectively and demonstrates commitment to the role;
- the Board has made good progress in identifying and implementing a more focused strategy;
- a discussion of strategy and of an update on progress should form part of every Board meeting;
- succession planning for staff below Board level should be kept under review;
- there is appetite for further Director training; and
- risk should be a key area of focus at the next Board Strategy meeting.

| Recommendations from 2017 review                                                   | Progress against 2017 recommendations                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Time allocated to discussion of a broader Corporate Strategy could be increased.   | A Board Strategy Discussion was held in September 2017, incorporating an external speaker, the Editor in Chief of WIRED magazine, who gave a presentation on "Technology and its impact on the property market". The Strategy Discussion was highly valued by the Board and will be repeated annually.                                                                                                                                                  |
| Elevating the importance of discussion of risks facing the business.               | The responsibilities of the Audit and Risk Committee were broadened to include Risk, formalising that Committee's mandate to oversee the Group's identification, monitoring and mitigation of risk.                                                                                                                                                                                                                                                     |
| Talent development and succession throughout the Company could receive more focus. | Property Executives are regularly invited to present to the Board on the assets they are responsible for.<br><br>James Moss, Company Secretary and Group Financial Controller, and Tom Anderson, Senior Investment Executive, were promoted to the Executive Committee in March 2018 in recognition of the leadership they have demonstrated within the Company. Tom Anderson was also appointed to the Property Valuations Committee in February 2018. |

### NOMINATIONS COMMITTEE

The Nominations Committee Report which describes the work of the Committee, is on pages 72 to 73.

### REMUNERATION COMMITTEE

The Directors' Remuneration Report, which describes the work of the Committee and discloses the Company's Remuneration Policy and Annual Report on Remuneration, is on pages 76 to 93.

### AUDIT AND RISK COMMITTEE

The Audit and Risk Committee Chairman is Richard Grant, who was the Finance Director of Cadogan Estates Limited from 1994 to 2017 and former partner of PWC. As a result, the Board considers that he has recent and relevant financial experience as required by the Code. The report of the Chairman of the Audit and Risk Committee describing the issues considered by the Committee in the year under review is on pages 74 and 75.

## GOVERNANCE REVIEW CONTINUED

### 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 and Risk Committee which meets with the Auditors and deals with any significant internal control matters. In the year under review the Audit and Risk Committee met with the Auditors on two occasions; and
- The Board is responsible for the management of the Group's risk profile which is reviewed by the Audit and Risk Committee during the year. An analysis of the Group's principal risks can be found on pages 48 to 53.

### VIABILITY AND GOING CONCERN

The Company's Viability Statement is included on page 49 within the Principal Risks Review of the Strategic Report.

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
- Receipt, amount and timing of development profits.

The forecast cash flows have been sensitised to reflect those cash inflows which are less certain and to take account of a potential deterioration of property valuations. In addition, the forecasts have been subject to sensitivity analysis in which the impact of significant reductions to the fair value of the property portfolio and associated rental income on the Group's loan covenants was assessed. 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.

### ANNUAL GENERAL MEETINGS

At the 2017 Annual General Meeting, held on 13 July 2017, all the Directors, with the exception of Michael Slade, were re-elected with over 98% of the votes cast in favour of their re-election. Michael Slade received 94% of the votes cast in favour of his re-election. The two resolutions relating to the re-appointment and remuneration of the Auditors received over 99% of the votes cast in favour. The non-binding vote in respect of the approval of the Company's Directors' Remuneration Report received a vote in favour of 84%. All the remaining resolutions were approved with votes cast in favour by between 88% and 100%.

The resolution to approve the Company's Directors' Remuneration Report ("DRR") received 84.1% of votes cast in favour with 15.9% against. Engagement with Shareholder representative bodies indicated that the overall quantum of remuneration was a concern for them and, following a consultation with the Company's major Shareholders and representative bodies, the Remuneration Committee is proposing a new Remuneration Policy. Details of this can be found in the Directors' Remuneration Report on pages 76 to 93.

At the 2018 Annual General Meeting to be held on 12 July 2018, the Company will be seeking re-election of current Board members, except for Richard Gillingwater, consideration of the Annual Report to 31 March 2018 and approval of the final dividend to be paid on 20 July 2018, the appointment of and authorisation to set the remuneration of Deloitte LLP as the Company's Auditors, the approval of a new Remuneration Policy, the approval of a new annual bonus plan (including provision for bonus deferral in shares), the approval of the Directors' Remuneration Report and a number of regular technical resolutions.

### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR

Six scheduled meetings of the Board were held during the year ended 31 March 2018. 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 the scheduled meetings and at meetings of the Board's Committees is shown in the table on page 71.

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 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 and Deputy 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.

## ENGAGEMENT 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. Gerald Kaye, as Chief Executive, attended all of the aforementioned meetings during the year and he is usually accompanied by at least one of the other Executive Directors.

Feedback from these meetings and presentations is shared with the wider Board.

The AGM is used to communicate with investors and they are encouraged to participate. The Chairman, Deputy Chairman, Senior Independent Director and members of the Audit and Risk, 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](http://www.helical.co.uk)

|                                | Full Board       | Audit and Risk Committee | Remuneration Committee | Nominations Committee |
|--------------------------------|------------------|--------------------------|------------------------|-----------------------|
| <b>Chairman</b>                |                  |                          |                        |                       |
| Michael Slade                  | 6/6              | -                        | -                      | 3/3                   |
| <b>Executive Directors</b>     |                  |                          |                        |                       |
| Gerald Kaye                    | 6/6              | -                        | -                      | -                     |
| Tim Murphy                     | 6/6              | -                        | -                      | -                     |
| Matthew Bonning-Snook          | 6/6              | -                        | -                      | -                     |
| <b>Non-Executive Directors</b> |                  |                          |                        |                       |
| Richard Cotton                 | 6/6              | 5/5                      | 6/6                    | 3/3                   |
| Susan Clayton                  | 6/6              | 5/5                      | 6/6                    | 3/3                   |
| Richard Gillingwater           | 6/6              | 3/3 <sup>1</sup>         | 6/6                    | 3/3                   |
| Richard Grant                  | 6/6              | 5/5                      | 6/6                    | 3/3                   |
| Michael O'Donnell              | 6/6              | 3/3 <sup>1</sup>         | 6/6                    | 3/3                   |
| <b>Former Directors</b>        |                  |                          |                        |                       |
| Duncan Walker                  | 1/1 <sup>2</sup> | -                        | -                      | -                     |

1 Richard Gillingwater and Michael O'Donnell stood down from the Audit and Risk Committee on 9 November 2017. Their attendance relates to the period from 1 April 2017 to 9 November 2017.

2 Duncan Walker stood down from the Board on 12 July 2017. His attendance relates to the period from 1 April 2017 to 12 July 2017.

### Principal Investor Relations Activities

|                        |                                                                                                                           |
|------------------------|---------------------------------------------------------------------------------------------------------------------------|
| May 2017               | • Annual results announcement and analysts presentation for 2017                                                          |
| May/June 2017          | • Investor Roadshow presentations in London and Edinburgh                                                                 |
| July 2017              | • AGM Trading Update<br>• Annual General Meeting                                                                          |
| September 2017         | • JPMC Investor Conference                                                                                                |
| October 2017           | • City and Tech Belt Property Tour                                                                                        |
| November 2017          | • Half year results announcement and analysts presentation                                                                |
| November/December 2017 | • Investor Roadshow presentation, London                                                                                  |
| January 2018           | • JPMC Investor Conference<br>• Peel Hunt Property Tour                                                                   |
| March 2018             | • Remuneration Committee Consultation with major Shareholders and representative bodies<br>• Portfolio and trading update |

By Order of the Board

**JAMES MOSS FCA**  
Company Secretary

24 May 2018

# NOMINATIONS COMMITTEE REPORT

**RICHARD GILLINGWATER**  
CHAIRMAN OF THE  
NOMINATIONS COMMITTEE

## COMMITTEE MEMBERS<sup>1</sup>

Susan Clayton

Richard Cotton

Richard Grant<sup>2</sup>

Michael O'Donnell

Michael Slade

<sup>1</sup> With the exception of Michael Slade, who is not considered to be independent on his appointment as Chairman of the Company, all of the Committee are independent Non-Executive Directors and all served throughout the year. The Company Secretary acts as Secretary to the Committee.

<sup>2</sup> At the 2018 AGM Richard Grant will replace me as Chairman of the Nominations Committee.

## ROLE OF THE COMMITTEE

Ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, leads the process for Board appointments, makes recommendations to the Board and supports the annual Board evaluation process.

## TERMS OF REFERENCE

The terms of reference of the Committee are available on request and are included on the Group's website at: [www.helical.co.uk](http://www.helical.co.uk)

## DEAR SHAREHOLDER,

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.

## THE WORK OF THE NOMINATIONS COMMITTEE IN THE YEAR

The Committee met three times during the year. A record of attendance at all Board and Committee meetings is shown on page 71.

The Committee reviewed the following matters during the year:

- Composition of the Board and membership of the Board Committees;
- Succession planning; and
- Recommendations arising from the Board evaluation.

## CHANGES TO THE BOARD

Several changes to the composition of the Board were announced on 9 February 2018. Michael Slade, Non-Executive Chairman, intends to step down from the Board at the Annual General Meeting in July 2019. Richard Grant, Chairman of the Audit and Risk Committee, has been appointed as Deputy Chairman with the intention of becoming the next Chairman of the Company and to ensure a smooth handover process. In line with broader succession planning, Richard Cotton was appointed as my successor as the Company's Senior Independent Director.

In addition, as announced by the Company on 22 May 2018, I intend to step down at the Annual General Meeting on 12 July 2018, having served six years on the Board.

The appointment of Richard Grant as the next Chairman of the Company was taken after careful consideration by the Committee and with independent external professional advice regarding the best long-term interests of the Company and its Shareholders. We retained Sam Allen Associates, an independent external search agency, who have done extensive work in the FTSE 250 conducting both

Executive and Non-Executive searches, and advising on succession issues, to support in the process of finding the future Chairman of the Company following Michael Slade's retirement at the 2019 Annual General Meeting. Other than the provision of Board evaluation services to the Board in 2017, Sam Allen Associates does not have any connection to Helical. Following a comprehensive assessment process, which considered both internal and external candidates, it was concluded that Richard Grant would be the most suitable person to act as the future Chairman of the Company. With more than 40 years' experience, including as Finance Director of Cadogan Estates Limited and as a Corporate Finance partner at PwC, his new role will provide additional strength in ensuring that the Board operates effectively as it focuses on executing its strategy and meeting its targets.

Richard Grant currently continues to serve in his roles as Chairman of the Audit and Risk Committee and as a member of the Nominations and Remuneration Committees. The Nominations Committee is actively seeking to appoint a new Non-Executive Director, who will become the Chairman of the Audit and Risk Committee at the 2019 AGM, and have appointed independent Executive search consultants, Norman Broadbent, to support this process. In addition, Richard Grant will replace me as Chairman of the Nominations Committee at the 2018 AGM.

## BOARD APPOINTMENTS AND DIVERSITY

Appointments to the Board and its Committees are made against objective criteria and are based on experience and merit. The 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 gives full consideration to diversity in the widest sense, including in relation to gender, ethnicity, religious belief, sexual orientation and disability, when recommending to the Board any future Board appointments and in considering succession planning below Board level.

When seeking to fill vacant Board positions, the Committee considers both internal and external candidates. The executive search firms that we have engaged are signatories to the UK Voluntary Code for "Women on Boards", The Hampton-Alexander Review's Voluntary Code of Conduct and the Voluntary Code of Conduct for Executive Search Firms. The Committee briefs search firms to ensure that the pool of candidates presented includes candidates with an appropriate range of experience, knowledge and background.

During the year, the Board signed up to Real Estate Balance, a cross-industry organisation which is focused on helping companies get more women into senior positions. The Board is also committed to strengthening the pipeline of senior female executives within the business and has taken steps to ensure that there are no barriers to women succeeding at the highest levels within Helical.

Care is taken to ensure that Board appointees have enough time available to devote to the job on appointment. To enable the Board to identify any potential conflicts of interest and ensure that Directors will continue to have sufficient time available to devote to the Company, Directors are required to inform the Board of any changes to their other significant commitments. In February 2018, Michael O'Donnell informed the Board that he had been appointed as a director of two operating companies of BMI Healthcare. In May 2018, Richard Grant joined the Board of Stenprop Limited as Non-Executive Chairman. The Board is satisfied that both Directors will continue to have sufficient time to devote to their roles and that the appointments do not give rise to a conflict of interest.

#### SUCCESSION PLANNING

In addition to Board positions, the Committee also focused on succession planning at senior management level to ensure that the Company has the requisite balance of skills to ensure its long-term success. In March 2018, James Moss, Company Secretary and Group Financial Controller, and Tom Anderson, Senior Investment Executive, were appointed to the Executive Committee in recognition of their contribution to Helical. In addition, Tom Anderson was appointed to the Property Valuations Committee.

For the coming year, the Committee will continue to review and develop succession planning at Board level, through the search for a new Audit and Risk Committee Chairman to succeed Richard Grant. We will also continue to review and develop succession planning below Board level.

#### BOARD EVALUATION

As detailed in the Governance Review on pages 68 to 71, the Board, led by Richard Grant as Deputy Chairman, undertook an internally facilitated performance evaluation in January 2018. At the March 2018 meeting, the Committee and Executive Directors discussed the recommendations made in the evaluation report in detail.

#### ANNUAL GENERAL MEETING

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 FTSE 350 companies to be subject to annual re-election by Shareholders. Whilst the Company is not in the FTSE 350, 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 election or re-election to the Board.

At the Annual General Meeting to be held on 12 July 2018, the following resolutions relating to the appointment of Directors are being proposed:

- The re-election of Michael Slade as Non-Executive Chairman;
- The re-election, as Executive Directors, of Gerald Kaye, Tim Murphy and Matthew Bonning-Snook; and
- The re-election, as Non-Executive Directors, of Susan Clayton, Richard Cotton, Richard Grant 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 pages 66 and 67.

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

**RICHARD GILLINGWATER, CBE**  
Chairman of the Nominations Committee  
24 May 2018

# AUDIT AND RISK COMMITTEE REPORT

**RICHARD GRANT**  
CHAIRMAN OF THE  
AUDIT AND RISK COMMITTEE

## COMMITTEE MEMBERS<sup>1</sup>

Susan Clayton

Richard Cotton

<sup>1</sup> All of whom are independent Non-Executive Directors and all served throughout the year. Richard Gillingwater and Michael O'Donnell stepped down from the Committee on 9 November 2017. The Company Secretary acts as secretary to the Committee.

## ROLE OF THE COMMITTEE

Assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

The integrity of the financial information provided to Shareholders;

The Company's system of internal controls and risk management;

The external audit process and auditors; and

The processes for compliance with laws, regulations and ethical codes of practice.

## TERMS OF REFERENCE

The terms of reference of the Committee are available on request and are included on the Group's website at: [www.helical.co.uk](http://www.helical.co.uk)

## DEAR SHAREHOLDER,

The Committee endorses the principles set out in the FRC Guidance on Audit and Risk 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, this Committee has a particular role, acting independently from the Executive Directors, to ensure that the interests of Shareholders are properly protected in relation to financial reporting and internal controls. Appointments to the Committee are made by the Board on the recommendation of the Nominations Committee in consultation with the Audit and Risk Committee Chairman.

## THE WORK OF THE AUDIT AND RISK COMMITTEE IN THE YEAR

The Committee met five times during the year and a record of attendance at these meetings is shown on page 71. It is common practice at Helical for Audit and Risk Committee meetings to be attended by all Board members, 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 and Risk Committee reviewed the following matters during the year:

- Risk and internal controls;
- The financial statements of the Group and the announcement of the annual results to 31 March 2017 and the interim statement on the half year results to 30 September 2017;
- The arrangements for, and management of, the process to select new external auditors following the decision announced last year to tender the external audit;
- The Annual Report for the year to 31 March 2017 to ensure it is fair, balanced and understandable;
- The performance of the external auditors and their programme of work;
- The external auditors' independence and the provision of non-audit services by the external auditor; and
- The consideration of the requirement for an internal audit function.

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

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

- Review of Company policies including those relating to anti-bribery and the Modern Slavery Act;
- The Company's whistleblowing procedures to ensure that they remain effective. Under the Company's Whistleblowing Policy, employees and workers within the Group may raise concerns about malpractice or misconduct in confidence, either internally or outside the Company, to the independent audit partner; and
- Review of IT risk and business continuity planning.

In discharging its responsibilities in connection with the preparation of the financial statements for the year to 31 March 2018, the Committee is responsible for reviewing the appropriateness of the Group's accounting policies, assumptions, judgements and estimates as applied by the executive management to the financial statements. During this review the following significant issues were considered:

- **Internal Controls** The Committee annually reviews the need for an internal audit function and recently reaffirmed its stance that, in view of the small scale and relative simplicity of the business, it does not consider that an internal audit function would be effective. However, periodically, the Committee asks the Group's Auditors to review its internal controls and their most recent report was presented to the Committee in April 2015. Grant Thornton UK LLP (Grant Thornton) "Report on the Design and Operating Effectiveness of Internal Controls of Helical plc" provided a review of the Group's control environment and internal controls. Neither this report nor the Audit and Risk Committee's review highlighted any material weaknesses in the design and effectiveness of the Group's systems and controls.

The decision to change the external auditor to Deloitte LLP for the year ending 31 March 2019 will bring a fresh perspective on the Group's internal controls, accounting policies, judgements and estimates. The Committee will report on any key findings, and the Group's responses, from Deloitte LLP's audit in the 2019 Annual Report.

- **Property Valuation** The valuation of the Group's investment and trading and development portfolio is a key area of judgement in preparing the annual and half yearly financial statements and reports. For this reason the fair value of the Group's investment portfolio is determined by independent third party experts who are familiar with the markets in which the Group operates and have suitable professional qualifications.

The Group's trading and development stock is accounted for in the financial statements at the lower of cost and net realisable value. Accordingly, the Committee reviews the assumptions made in determining the net realisable value of the Group's assets. In addition, the Committee reviews those instances where stock is considered to have a fair value above its current book value. The surplus of fair value above book value is not included in the Group's Balance Sheet, nor is any movement reflected in the Income Statement. However, in accordance with the best practice recommendations of the European Public Real Estate Association, the surplus is included in the calculation of the EPRA Net Asset Value per share at each reporting date. The fair value calculation of the trading and development stock is reviewed by a suitably qualified independent third party valuer.

In order to assist the Audit and Risk Committee in considering the valuations, the fair values of the investment, trading and development property portfolios are reviewed and approved by the Property Valuations Committee which is chaired by Susan Clayton, FRICS, an independent Non-Executive Director.

- **Revenue Recognition** Revenue recognition is a presumed significant risk under International Standards on Auditing (UK) and where the Group enters into complex transactions, judgement must be applied in determining when, and to what extent, revenue should be recognised. For material transactions, technical papers are presented to the Committee by management and the Committee also requests that the Group's external auditors review and report on these judgements. The Committee assesses the appropriateness of the proposed revenue recognition for each transaction and these are discussed between the external auditor and myself.

In addition to the significant issues discussed, the Committee also considered, and concluded upon, the Group's ability to continue as a going concern, its viability for the next five-year period and the estimates and judgements discussed in note 37 to these accounts.

#### EFFECTIVENESS OF THE EXTERNAL AUDITOR

During the year, the Audit and Risk Committee reviewed Grant Thornton's fees, effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan.

The Audit and Risk Committee also considered their robustness and the degree to which they were able to assess key accounting and audit judgements and the content of their reports. This was performed through reviewing their reports and meeting with them to discuss their audit approach and findings.

In the prior year, the Committee was notified by the Financial Reporting Council (FRC) that they had carried out a review of Grant Thornton and the work they performed in conducting the audit of Helical's 31 March 2016 results.

The Committee considered the approach to the 2018 audit in light of the issues identified by the review to satisfy itself that any required changes had been appropriately implemented.

As a result of their review the Committee concluded that the audit process was effective.

#### AUDIT INDEPENDENCE

The Audit and Risk Committee considers the external auditor to be independent. The Committee's policy is not to award non-audit services where the outcome of the work is relevant to a future audit judgement or that could impact the independence or objectivity of the audit firm. This policy is designed to ensure that the Group receives the most appropriate advice without compromising the independence of the Auditor. As part of this policy prior approval of all non-audit services is required. During the year, the following non-audit fees were paid to Grant Thornton:

- £52,000 for the review of the Half Year Results;
- £6,000 for the review of the Performance Share Plan and Directors' Bonus Scheme;
- £15,000 for a review of financial crime risk; and
- £4,000 for technical training.

The Committee considered all the services to be appropriate and that they did not impact the audit independence.

#### AUDITOR ROTATION

As announced in last year's Annual Report, the Committee tendered the external audit. Given the period of tenure of the incumbent Auditor, Grant Thornton, they were not included in the process.

The tender process followed the following timetable:

#### October - December 2017

An audit rotation sub-committee was established, consisting of the Audit and Risk Committee Chairman, the Finance Director and the Company Secretary. The sub-committee then met with a selection of audit firms, all of which confirmed their independence and willingness to act.

#### January 2018

Following submission of a short form document highlighting the firms' experience, credentials and audit quality findings, a shortlist of firms was selected. The shortlisted firms were then issued a Request for Proposal (RFP).

#### February 2018

The firms met with management, visited key property assets and participated in a technical challenge.

#### March 2018

The firms submitted their proposals and presented to the full Audit and Risk Committee. Following a comprehensive evaluation of their proposition, the Committee chose their preferred firm and recommended their appointment as Auditor to the Board. The Board approved this appointment and announced it to the market.

#### Key Selection Criteria:

The following criteria were used to evaluate the shortlisted firms:

- Approach to ensuring audit quality and a high quality of client service;
- Capability and competence of the team and the firm;
- Real estate credentials;
- Proposed approach to the transition and the audit;
- Relationship and cultural fit; and
- Demonstration of added value and value for money.

#### Selection and Appointment:

Following detailed consideration, the Audit and Risk Committee recommended the appointment of Deloitte LLP as the external auditor. The Board confirmed the appointment and agreed to appoint them as Auditor once Grant Thornton complete the audit of the year ending 31 March 2018. The appointment is subject to Shareholder approval at the 2018 AGM.

#### ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 12 July 2018, the following resolutions relating to the Auditor are being proposed:

- The appointment of Deloitte 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 and Risk Committee

24 May 2018

# DIRECTORS' REMUNERATION REPORT

**MICHAEL O'DONNELL**  
CHAIRMAN OF THE  
REMUNERATION COMMITTEE

## COMMITTEE MEMBERS<sup>1</sup>

Susan Clayton

Richard Cotton

Richard Gillingwater

Richard Grant

<sup>1</sup> All Committee members are independent Non-Executive Directors and all served throughout the year. The Company Secretary acts as Secretary to the Committee.

## ROLE OF THE COMMITTEE

Assists the Board to fulfil its responsibility to Shareholders to ensure that the Remuneration Policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.

### Areas of focus:

Remuneration policies, including base pay, long and short-term incentives;

Remuneration practice and its cost to the Company;

Recruitment, service contracts and severance policies; and

The engagement and independence of external remuneration advisors.

## MEETINGS

The Committee met six times during the year and a record of attendance at these meetings is shown on page 71.

## TERMS OF REFERENCE

The terms of reference of the Committee are available on request and are included on the Group's website at: [www.helical.co.uk](http://www.helical.co.uk)

## ANNUAL STATEMENT

### DEAR SHAREHOLDER,

I am pleased to present the Remuneration Committee's Report on Directors' remuneration for the year to 31 March 2018. This report has been approved by the Board of Helical plc.

This Directors' Remuneration Report has been divided into the following three sections:

- This **Annual Statement**, which summarises the remuneration outcomes in the year to 31 March 2018, the proposed new Remuneration Policy and how it will be operated in the year to 31 March 2019;
- The **Remuneration Policy Report**, which sets out the proposed Remuneration Policy for Executive and Non-Executive Directors, for which Shareholder approval will be sought at the 2018 Annual General Meeting (AGM); and
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in the year to 31 March 2018 and how, subject to Shareholder approval, the new policy will be operated in the year to 31 March 2019.

### WORK OF THE COMMITTEE DURING THE YEAR

Although the Remuneration Policy was not due for renewal until the 2019 AGM, the Committee decided to carry out a review of the policy in light of:

- A reshaping of the Group's activities since the last review;
- A desire to simplify the Group's remuneration schemes and to reduce award levels;
- Feedback received from a number of investors and representative bodies;
- The voting results at the 2017 AGM; and
- Continued developments in best practice.

Following this review, the Committee consulted the Company's major Shareholders and representative bodies and, subject to Shareholder approval at the 2018 AGM, is proposing a new Remuneration Policy, with the major changes being as follows:

- A significant reduction in the maximum annual bonus payable to each Executive Director from 300% (200% for the Finance Director) to 150% of salary (all Executive Directors);

### PREPARATION OF THIS REPORT

This Report, prepared by the Remuneration Committee on behalf of the Board, takes full account of the UK Corporate Governance Code and the latest Investment Association (IA) Principles of Remuneration and Institutional Shareholder Services (ISS) UK and Ireland Proxy Voting Guidelines, and has been prepared in accordance with the provisions of the Companies Act 2006 ("the Act"), the Listing Rules of the Financial Conduct Authority and the

Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Act requires the Auditor to report to the Group's Shareholders on the audited information within this Report and to state whether in their opinion those parts of the Report have been prepared in accordance with the Act. Those aspects of the Report which have been subject to audit are clearly marked.

- The replacement of the multi-year profit sharing Annual Bonus Scheme with a conventional structure based on annual property portfolio, financial, strategic and personal performance targets;
- A reduction in the maximum Performance Share Plan ("PSP") award from 300% to 250% pa; and
- Increased shareholding requirements for Executive Directors from 300% to 500% of base salary.

In addition, in respect of its normal ongoing business, the Committee considered a number of other matters as follows:

- The bonuses payable under the terms of the Annual Bonus Scheme 2016 for the year to 31 March 2017 were finalised. Two thirds of these bonuses were paid in cash in June 2017, and one third in deferred shares to be held for a minimum of three years;
- The three-year performance conditions in respect of the share awards granted in 2014 under the Performance Share Plan 2014 were considered. The performance conditions were partially satisfied and 66.7% of shares vested;
- The Committee resolved in June 2017 to make an award of shares under the terms of the 2014 Performance Share Plan which is expected to vest in June 2020, subject to performance conditions;
- Changes to the basic salaries of the Executive Directors with effect from 1 April 2018, as noted below, were approved; and
- The fees paid to the Chairman were reviewed and no increase was awarded. For completeness, although not a Committee responsibility, the Board, excluding Non-Executive Directors, reviewed and increased the fees paid to Richard Grant and Richard Cotton on their appointments as Deputy Chairman and Senior Independent Director on 9 February 2018. No further increases to fee levels were awarded.

## PERFORMANCE, DECISIONS AND REWARD OUTCOMES

As noted in the Strategic Report on pages 2 to 59, the EPRA net assets per share of the Group has reduced by 1.1% (2017: increase of 3.7%) in the year under review with a CAGR over the three years to 31 March 2018 of 6.7% (2017: 14.8%). The Group's total portfolio return, as reported by IPD was 11.1% (2017: 9.4%). Pre-tax profits of the Group, before performance related awards, were £33m (2017: £49m).

### Annual Bonus Scheme 2016

Subsequent to the year end, and in accordance with the rules of the Helical Annual Bonus Scheme 2016, cash and deferred shares have been approved for inclusion in the financial statements for the year to 31 March 2018 for Gerald Kaye and Matthew Bonning-Snook. This multi-year profit sharing bonus scheme had built up sufficient provisions from previous years, as a result of record profits made in the year to 31 March 2016, to enable full bonuses to be paid to all eligible participants. However, the Committee has reviewed this position in the light of Helical's performance in the year to 31 March 2018 and has reflected on the experience of Shareholders in the corresponding period and, following discussion with the scheme participants, has applied negative discretion to the payment of bonuses for the year. This has reduced bonus payments by 25%, reducing the total bonus payment to Gerald Kaye by £386,250 from £1,545,000 to £1,158,750 and for Matthew Bonning-Snook by £300,450 from £1,201,800 to £901,350. The performance of the Group since Tim Murphy joined the Bonus Scheme on 1 April 2016 has not generated sufficient profit for him to receive an annual bonus for the year. Details of the annual bonus awards are disclosed in the Annual Report on Remuneration.

### Performance Share Plan 2014

Share awards made in 2015 under the terms of the 2014 Performance Share Plan were subject to three performance conditions over the three years to 31 March 2018. One third of the awards was based on absolute net asset value performance, the second third of the awards was based on a comparison of the Group's portfolio return to the IPD Total Return index and the final third of the awards was based on a comparison of the Group's Total Shareholder Return to a basket of companies in the Real Estate Super Sector. The performance criteria were measured at the end of the three-year period and the IPD conditions

## DIRECTORS' REMUNERATION REPORT CONTINUED

were met in full. The net asset value conditions were partially met but the TSR conditions were not met. Consequently 46% of the awards are expected to vest in June 2018. Full details of the targets and Helical's performance are set out in the Annual Report on Remuneration.

The Committee believes that the provision for annual cash and deferred share bonuses and the expected vesting of the PSP award in respect of the three-year performance period ended 31 March 2018 accurately and fairly represents the reward determined by the Group's remuneration schemes based on the performance of the Group over the respective annual and three-year performance periods.

### IMPLEMENTATION OF THE POLICY FOR THE YEAR TO 31 MARCH 2019

Subject to Shareholder approval at the 2018 AGM, the Remuneration Committee intends to operate the Remuneration Policy for Executive Directors for the year to 31 March 2019 as follows:

- Executive Director base salaries were increased by 3.3%, reflecting the increase in RPI to 31 March 2018. The average salary increase for all other staff was 7.8%. All increases were effective from 1 April 2018 (the normal salary review date). As such, Gerald Kaye's current salary is £532,000, Matthew Bonning-Snook's current salary is £413,800 and Tim Murphy's current salary is £309,600. No changes will be made to the provision of benefits;
- The policy of not providing separate pension provision to Executive Directors was introduced in July 2007 and since that date, Executive Directors have been expected to provide for their retirement from remuneration provided through the Company's incentive schemes. This policy continues unchanged;
- For the year to 31 March 2019, annual bonuses will be capped at 150% of salary with targets based on Total Property Return (50% of potential), Total Accounting Return (25% of potential) and strategic/personal objectives (25% of potential). To the extent that there is low or no bonus payable on the portfolio/financial measures, the Committee will retain discretion to reduce (including to zero) the payout under the strategic/personal targets. One third of any bonus will be deferred into shares for three years, unless the Executive Director has met the shareholding guideline, in which case the annual bonus will be payable in cash up to 100% of salary and in deferred shares from 100% to 150% of salary;

- The 2018 award under the PSP will be granted over shares equal to 250% of salary paid in line with the new Remuneration Policy (rather than the 300% of salary under the existing Remuneration Policy). The proposed performance targets, which are set out in detail in the Annual Report on Remuneration, will continue to be linked to net asset per share growth, Total Property Return versus IPD and relative Total Shareholder Return. The Total Property Return versus IPD and the relative Total Shareholder Return performance criteria have remained the same as per the 2014 PSP. The net asset value per share growth performance criterion has been adjusted to reflect current and expected market conditions. This element of the PSP award will start to vest at 5.0% (previously 7.5%) compound annual growth, after adjusting for dividends and share capital movements, and fully vest at 12.5% (previously 15.0%). A two-year post vesting holding period will continue to apply;

- Shareholding guidelines will increase from 300% to 500% of salary from the 2018 AGM; and
- Malus and clawback provisions will continue to operate.

The Committee is committed to ensuring that its Remuneration Policy remains aligned to the long-term interests of Shareholders – incentivising management to increase total returns and grow 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 the new policy strikes the right balance between fixed annual remuneration and an incentive structure with challenging targets which seek to reward outperformance with a mixture of cash-based bonus payments and longer-term share awards.

Further details of the proposed implementation of the Remuneration Policy for the year to 31 March 2019 can be found on page 89.

### SHAREHOLDER CONSULTATION AND 2018 ANNUAL GENERAL MEETING RESOLUTIONS

In proposing the changes to the Remuneration Policy which will be taken to the 2018 AGM, the Committee has consulted with Helical's top 17 Shareholders representing 65% of issued share capital at 31 March 2018 and the major Shareholder representative bodies. I would like to thank investors and the representative bodies for their positive and constructive feedback on the proposed simplification and reduction in incentive pay potential, which the Committee considered in detail and which has helped to formulate the Remuneration Policy contained in this report. After considering this feedback, the Committee has agreed to remove one of the proposed changes and to continue compulsory deferral for all Executive Directors. As a result of the proposed changes to the Remuneration Policy, the following resolutions relating to remuneration will be presented at the 2018 AGM to be held on 12 July 2018:

- The binding resolution on the proposed Remuneration Policy Report contained within this Remuneration Report;
- The binding resolution in respect of approval for the introduction of a new annual bonus plan (which includes provision for bonus deferral in shares), referred to as the Annual Bonus Scheme 2018 hereafter. This will replace the Annual Bonus Scheme 2016 which will cease to operate post 31 March 2018; and
- The advisory resolution on the remuneration paid to the Directors in the year to 31 March 2018 and the operation of the policy in the year to 31 March 2019 as set out in the Annual Report on Remuneration.

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

**MICHAEL O'DONNELL**  
Chairman of the  
Remuneration Committee  
24 May 2018

## REMUNERATION POLICY REPORT

This section of the Remuneration Report sets out the proposed Remuneration Policy to be taken to Shareholders for approval at the 2018 Annual General Meeting.

### POLICY SCOPE

The Remuneration Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

### POLICY DURATION

The new Directors' Remuneration Policy will be presented for approval by Shareholders at the Annual General Meeting (AGM) on 12 July 2018. The Directors' Remuneration Policy, if approved by Shareholders, is intended to operate for the three years following the 2018 AGM.

The current Remuneration Policy was approved by Shareholders at the AGM held on 25 July 2016.

### REMUNERATION POLICY

Helical's approach to the remuneration of its Executive Directors is to provide a basic remuneration package combined with an incentive based bonus and share scheme structure aligned with the interests of its Shareholders. The majority of performance-based awards are judged on the relative performance of the Group's real estate portfolio against an industry benchmark. The remaining awards are judged on the absolute performance of the Group, its Total Shareholder Return against appropriate industry benchmarks and strategic/personal objectives. 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. It also considers environmental, social, governance and risk issues.

In determining such policy, the Committee takes into account all factors which it deems necessary. The objective of the Remuneration Policy is 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 and hurdles for any performance related remuneration schemes; and
- Service agreements incorporating termination payments and compensation commitments.

### PEER GROUP

The Remuneration Committee has determined a peer group of companies which is used for benchmarking (albeit with some caution, given the variances in size and nature of operations in the sector and more general risk of pay inflation where too great a reliance is placed on published data) and as a reference point in ensuring that performance targets are appropriately stretching and when reviewing the Group's relative performance.

The companies which formed the basis of the 2018 Remuneration Policy review and which will comprise the peer group for performance in the year to 31 March 2019 are as follows: Capital & Counties Properties plc; Capital & Regional plc; Derwent London plc; Great Portland Estates plc; Hammerson plc; Hansteen Holdings plc; Intu Properties plc; LondonMetric Property plc; McKay Securities plc; NewRiver REIT plc; R D I REIT plc; Shaftesbury plc; U and I Group plc; Urban&Civic plc; St. Modwen Properties plc; and Workspace Group plc.

### DIRECTORS' REMUNERATION POLICY TABLE

The table below summarises the Directors' Remuneration Policy which will be put to Shareholders for approval at the 2018 AGM. The major changes which are being proposed to the existing Remuneration Policy are as follows:

- A significant reduction in the maximum annual bonus payable to each Executive Director, from 300% (200% for the Finance Director) to 150% of salary (all Executive Directors);
- The replacement of the multi-year profit sharing Annual Bonus Scheme with a conventional structure based on annual property portfolio, financial, strategic and personal performance targets;
- A reduction in the maximum Performance Share Plan ("PSP") award from 300% of salary pa to 250% pa; and
- Increased shareholding requirements for Executive Directors from 300% to 500% of base salary.

| Element | Purpose and link to strategy                                                                                                                                                                                                                                                                                                                    | Operation                                                                                                                                                                                                                                                                                                                                     | Maximum                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Performance targets                                     |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Salary  | <ul style="list-style-type: none"> <li>• Reflects the value of the individual and their role and responsibilities</li> <li>• Reflects delivery against key personal objectives and development</li> <li>• Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over reliance on variable income</li> </ul> | <ul style="list-style-type: none"> <li>• Normally reviewed annually, effective 1 April</li> <li>• Paid in cash on a monthly basis; not pensionable</li> <li>• Takes periodic account against companies with similar characteristics and sector comparators</li> <li>• Reviewed in context of the salary increases across the Group</li> </ul> | <ul style="list-style-type: none"> <li>• No maximum or maximum salary increase is operated</li> <li>• Salary increases will normally be aligned to the average increase awarded to other employees</li> <li>• 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</li> </ul> | <ul style="list-style-type: none"> <li>• N/A</li> </ul> |

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

| Element                     | Purpose and link to strategy                                                                                                                                                                                                                                                                          | Operation                                                                                                                                                                                                                                                                                                                                                                                                             | Maximum                                                                                                                                                                                                                                                                                                                                                                      | Performance targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual bonus                | <ul style="list-style-type: none"> <li>Provides focus on delivering returns from the Group's property portfolio</li> <li>Rewards and helps retain key Executive Directors and is aligned with the Group's risk profile</li> <li>Maximum bonus only payable for achieving demanding targets</li> </ul> | <ul style="list-style-type: none"> <li>Payable in cash (two thirds) and deferred shares (one third) unless the shareholding guideline has been met, in which case the annual bonus will be payable in cash up to 100% of salary and in deferred shares from 100% to 150% of salary</li> <li>Non-pensionable</li> <li>Dividend equivalent payments (in cash or in shares) may be payable on deferred shares</li> </ul> | <ul style="list-style-type: none"> <li>150% of salary pa for all Executive Directors</li> </ul>                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>Performance normally measured over one year</li> <li>The majority of the bonus potential will be based on portfolio and financial targets (e.g. Total Property Return, Total Accounting Return)</li> <li>Strategic/personal objectives will form the remaining minority of targets</li> <li>Malus and clawback provisions apply</li> <li>Details of actual targets for the bonus year ending 31 March 2019 are set out on page 89</li> </ul> |
| Long-term incentive awards  | <ul style="list-style-type: none"> <li>Aligned to main strategic objective of delivering long-term value creation</li> <li>Aligns Executive Directors' interests with those of Shareholders</li> <li>Rewards and helps retain key executives and is aligned with the Group's risk profile</li> </ul>  | <ul style="list-style-type: none"> <li>Discretionary annual grant of conditional share awards under the 2014 PSP</li> <li>Executive Directors are required to retain PSP shares acquired for at least two years after vesting</li> <li>Dividend equivalent payments (in cash or in shares) may be payable</li> </ul>                                                                                                  | <ul style="list-style-type: none"> <li>250% of salary pa for all Executive Directors</li> </ul>                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>Performance normally measured over three years</li> <li>10% of an award vests at threshold performance</li> <li>Performance targets linked to net asset value per share, Total Property Return and Total Shareholder Return. KPIs are discussed on pages 14 and 15</li> <li>Malus and clawback provisions apply</li> <li>Details of actual targets for the awards to be granted in 2018 are set out on page 90</li> </ul>                    |
| Pensions                    | <ul style="list-style-type: none"> <li>There is no Group pension scheme for Directors and no contributions are payable to Directors' own pension schemes</li> </ul>                                                                                                                                   | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Other benefits              | <ul style="list-style-type: none"> <li>Provide insured benefits to support the individual and their family during periods of ill health, accidents or death</li> <li>Cars or car allowances and fuel allowances to facilitate effective travel</li> </ul>                                             | <ul style="list-style-type: none"> <li>Benefits provided through third party providers</li> <li>Insured benefits include: private medical cover, life assurance and permanent health insurance</li> <li>Other benefits may be provided where appropriate</li> </ul>                                                                                                                                                   | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Share ownership guidelines  | <ul style="list-style-type: none"> <li>To provide alignment of interests between Executive Directors and Shareholders</li> </ul>                                                                                                                                                                      | <ul style="list-style-type: none"> <li>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</li> </ul>                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Aim to hold a shareholding to equal or exceed 500% of basic salary (300% of salary to 2018 AGM)</li> </ul>                                                                                                                                                                                                                                                                                                                                   |
| Non-Executive Director fees | <ul style="list-style-type: none"> <li>Reflects time commitments and responsibilities of each role and fees paid by similarly sized companies</li> <li>The remuneration of the Non-Executive Directors is determined by the Executive Board</li> </ul>                                                | <ul style="list-style-type: none"> <li>Cash fee paid monthly</li> <li>Fees are reviewed on a regular basis</li> <li>Benefits may be provided where appropriate</li> <li>Fixed three-year contracts with three-month notice periods</li> </ul>                                                                                                                                                                         | <ul style="list-style-type: none"> <li>No maximum or maximum fee increase is operated</li> <li>Fee increases may be guided by the average increase awarded to Executive Directors and other employees and/or general movements in the market</li> <li>Increases may be above this level if there is an increase in the scale, scope or responsibility of the role</li> </ul> | <ul style="list-style-type: none"> <li>N/A</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                               |

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. However, employees including Executive Directors who participate in the Group's long-term incentive awards are excluded from the Helical Bar 2010 Approved Share Option Scheme.

## 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, taking into account internal comparisons. On initial appointment and depending on experience, 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, car fuel allowance, private medical cover, permanent health insurance and life assurance.                                                                                                                                                                                                                                                                                                                                                     |
| Pension                 | There is no Group pension scheme for Directors and no contributions are payable to Directors' own pension schemes.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Annual bonus            | Annual bonus arrangements under the terms of the 2018 Annual Bonus Scheme will be made in accordance with the terms of that scheme, with the Committee retaining the right to pro-rata any bonus payable in respect of the year of appointment.                                                                                                                                                                                                                                                                                                  |
| Long-term incentives    | Annual awards under the terms of the 2014 PSP 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 COMPARED TO THE REMUNERATION POLICY OF EXECUTIVE DIRECTORS

All permanent employees of the Group, including Executive Directors, receive a basic remuneration package including basic 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 and a car fuel allowance. There is no Group pension scheme for Directors and no contributions are payable into Directors' own pension schemes. For all permanent employees below Board level, the Company pays pension contributions of either 10.0% or 12.5% into either a Group Pension Scheme or individual employees' own pension scheme. Whilst employees below Board level are not entitled to participate in the Annual Bonus Scheme, 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 HMRC approved Share Option Scheme is available for the Committee to grant options to those who do not receive awards under the Performance Share Plan. Consequently, Directors are not granted awards under this scheme. In determining executive remuneration, the Committee considers the overall remuneration of all the Group'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 the Group's employees when drawing up its Remuneration Policy.

## PERFORMANCE METRICS

The performance metrics used in the Annual Bonus Scheme and the Long Term Incentive Plan are aligned with the Group's Key Performance Indicators, discussed on pages 14 to 15.

The Annual Bonus Scheme 2018, if approved, will award annual bonuses dependent upon the extent to which its three performance criteria are met. 50% of the maximum bonus is subject to a relative performance metric based on the performance of the Group's property portfolio compared to an IPD index. 25% of the maximum bonus is subject to an absolute performance metric based on the Group's overall annual results and the remaining 25% is subject to strategic/personal objectives.

Long-term incentives, awarded in accordance with the rules of the 2014 PSP, are subject to an absolute net asset value growth test, a relative performance metric based on the performance of the Group's property portfolio compared to an IPD index and a relative performance metric based on Total Shareholder Return.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### EXECUTIVE DIRECTORS' DATES OF APPOINTMENT AND SERVICE CONTRACTS

All service contracts are available for inspection at the registered offices of the Company. Original dates of appointment to the Board are as follows:

| Executive Director    | Notice period | Date of 1st employment | Board appointment | Date of current contract |
|-----------------------|---------------|------------------------|-------------------|--------------------------|
| Gerald Kaye           | 6 months      | 6 March 1994           | 28 September 1994 | 25 July 2016             |
| Tim Murphy            | 6 months      | 1 March 1994           | 24 July 2012      | 25 July 2016             |
| Matthew Bonning-Snook | 6 months      | 13 March 1995          | 1 August 2007     | 25 July 2016             |

#### 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 etc. 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.

Under the Annual Bonus Scheme 2018, participants shall not normally be entitled to receive any payment under the scheme following cessation of employment 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 the Group or any other reason permitted by the Committee). For good leavers, individuals would cease to accrue amounts in respect of any period after cessation of employment but would receive any amounts previously deferred into shares under the terms of the Annual Bonus Scheme 2016 or the Annual Bonus Scheme 2018.

Any share-based entitlements granted to an Executive Director under the Group's share plans will be determined based on the relevant plan rules. 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. Current Letters of Appointment, setting out the terms of appointment, operate from 1 April 2015 or, if later, the date of appointment. The appointment of Non-Executive Directors is terminable on three months' notice. Non-Executive Directors are not eligible to participate in any new share 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, 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.

#### NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

| Non-Executive Director                                                       | Board appointment | Commencement date of current term |
|------------------------------------------------------------------------------|-------------------|-----------------------------------|
| Michael Slade - Chairman                                                     | 21 August 1984    | 25 July 2016                      |
| Susan Clayton - Chairman of the Property Valuations Committee                | 1 February 2016   | 1 February 2016                   |
| Richard Cotton - Senior Independent Director                                 | 1 March 2016      | 1 March 2016                      |
| Richard Gillingwater - Chairman of the Nominations Committee                 | 24 July 2012      | 1 April 2015                      |
| Richard Grant - Deputy Chairman and Chairman of the Audit and Risk Committee | 24 July 2012      | 1 April 2015                      |
| Michael O'Donnell - Chairman of the Remuneration Committee                   | 24 June 2011      | 1 April 2015                      |

#### PSP POST VESTING HOLDING PERIOD AND SHARE OWNERSHIP GUIDELINES

Directors will not normally be permitted to sell shares received through the 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 500% (300% to AGM 2018) of basic salary. A shareholding guideline of 100% of salary operates for other Senior Management below Board level.

#### 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.

The chart is based on:

- Salary levels effective 1 April 2018;
- An approximated annual value of benefits (no pension is provided);
- A 150% of salary maximum annual bonus (with target assumed to be 50% of the maximum);
- A 250% of salary award under the 2014 PSP in line with the normal maximum award (with target assumed to be 50% of the maximum); and
- No share price appreciation in respect of deferred bonus and PSP awards has been assumed.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### ANNUAL REPORT ON REMUNERATION

#### APPLICATION OF THE REMUNERATION POLICY IN THE YEAR TO 31 MARCH 2018

##### 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 and performance related bonuses and share awards that reward absolute performance and outperformance relative to the Group's peer group. In the year to 31 March 2018, the balance of fixed versus variable pay on an actual basis for the Executive Directors in office throughout the year compared to the maximum payable was as follows:

|                                      | Actual<br>£000 | Share of total<br>% | Maximum<br>£000 | Share of total<br>% |
|--------------------------------------|----------------|---------------------|-----------------|---------------------|
| Basic salaries and benefits-in-kind  | 1,379          | 30                  | 1,379           | 19                  |
| Annual Bonus Scheme 2016             | 2,060          | 45                  | 3,346           | 46                  |
| Performance Share Plan shares vested | 1,159          | 25                  | 2,540           | 35                  |
|                                      | 4,598          | 100                 | 7,265           | 100                 |

Note: Performance Share Plan shares reflect the market value of shares that are expected to vest (actual) or could vest (maximum) in respect of the vested three-year performance period to 31 March 2018 in accordance with the terms of the Group's Performance Share Plan.

##### DIRECTORS' REMUNERATION

Remuneration in respect of the Directors was as follows:

| Year to 31 March 2018 <sup>1</sup> | Fixed                        |                               |                                    |                   | Variable                     |                                     |                                      |                   | Total<br>£000 |
|------------------------------------|------------------------------|-------------------------------|------------------------------------|-------------------|------------------------------|-------------------------------------|--------------------------------------|-------------------|---------------|
|                                    | Basic<br>salary/fees<br>£000 | Benefits <sup>2</sup><br>£000 | Share<br>Incentive<br>Plan<br>£000 | Sub-total<br>£000 | Annual<br>cash bonus<br>£000 | Deferred<br>bonus<br>shares<br>£000 | Share <sup>3</sup><br>awards<br>£000 | Sub-total<br>£000 |               |
| <b>Executive Directors</b>         |                              |                               |                                    |                   |                              |                                     |                                      |                   |               |
| Gerald Kaye                        | 515                          | 57                            | 7                                  | 579               | 773                          | 386                                 | 443                                  | 1,602             | 2,181         |
| Tim Murphy                         | 300                          | 25                            | 7                                  | 332               | -                            | -                                   | 306                                  | 306               | 638           |
| Matthew Bonning-Snook              | 401                          | 60                            | 7                                  | 468               | 601                          | 300                                 | 410                                  | 1,311             | 1,779         |
|                                    | 1,216                        | 142                           | 21                                 | 1,379             | 1,374                        | 686                                 | 1,159                                | 3,219             | 4,598         |
| <b>Former Executive Director</b>   |                              |                               |                                    |                   |                              |                                     |                                      |                   |               |
| Duncan Walker <sup>1</sup>         | 112                          | 8                             | 4                                  | 124               | -                            | -                                   | -                                    | -                 | 124           |
| <b>Non-Executive Directors</b>     |                              |                               |                                    |                   |                              |                                     |                                      |                   |               |
| Michael Slade                      | 155                          | 69                            | -                                  | 224               | -                            | -                                   | 252                                  | 252               | 476           |
| Susan Clayton                      | 55                           | -                             | -                                  | 55                | -                            | -                                   | -                                    | -                 | 55            |
| Richard Cotton                     | 48                           | -                             | -                                  | 48                | -                            | -                                   | -                                    | -                 | 48            |
| Richard Gillingwater               | 55                           | -                             | -                                  | 55                | -                            | -                                   | -                                    | -                 | 55            |
| Richard Grant                      | 57                           | -                             | -                                  | 57                | -                            | -                                   | -                                    | -                 | 57            |
| Michael O'Donnell                  | 55                           | -                             | -                                  | 55                | -                            | -                                   | -                                    | -                 | 55            |
| <b>Total</b>                       | <b>1,753</b>                 | <b>219</b>                    | <b>25</b>                          | <b>1,997</b>      | <b>1,374</b>                 | <b>686</b>                          | <b>1,411</b>                         | <b>3,471</b>      | <b>5,468</b>  |

1 Duncan Walker stepped down from the Board on 11 July 2017 and ceased employment on 11 January 2018. Further details of his termination arrangements are set out in the Payments to Former Directors section of this report.

2 Benefits include the provision of a car/car allowance, fuel allowance, private medical cover, life assurance and permanent health insurance.

3 Value of share awards based on average share price over three months to 31 March 2018 of 335.07p.

| Year to 31 March 2017          | Fixed                        |                   |                                    |                   | Variable                     |                                     |                          |                   | Total<br>£000 |
|--------------------------------|------------------------------|-------------------|------------------------------------|-------------------|------------------------------|-------------------------------------|--------------------------|-------------------|---------------|
|                                | Basic<br>salary/fees<br>£000 | Benefits¹<br>£000 | Share<br>Incentive<br>Plan<br>£000 | Sub-total<br>£000 | Annual<br>cash bonus<br>£000 | Deferred<br>bonus<br>shares<br>£000 | Share²<br>awards<br>£000 | Sub-total<br>£000 |               |
| Executive Directors            |                              |                   |                                    |                   |                              |                                     |                          |                   |               |
| Gerald Kaye                    | 475                          | 48                | 7                                  | 530               | 950                          | 475                                 | 680                      | 2,105             | 2,635         |
| Tim Murphy                     | 291                          | 22                | 7                                  | 320               | 259                          | 130                                 | 470                      | 859               | 1,179         |
| Matthew Bonning-Snook          | 389                          | 52                | 7                                  | 448               | 777                          | 389                                 | 628                      | 1,794             | 2,242         |
| Duncan Walker                  | 357                          | 19                | 7                                  | 383               | 714                          | 357                                 | 533                      | 1,604             | 1,987         |
|                                | 1,512                        | 141               | 28                                 | 1,681             | 2,700                        | 1,351                               | 2,311                    | 6,362             | 8,043         |
| As former Executive Director   |                              |                   |                                    |                   |                              |                                     |                          |                   |               |
| Michael Slade                  | 170                          | 15                | -                                  | 185               | -                            | -                                   | 677                      | 677               | 862           |
| Non-Executive Directors        |                              |                   |                                    |                   |                              |                                     |                          |                   |               |
| Michael Slade                  | 106                          | 44                | -                                  | 150               | -                            | -                                   | -                        | -                 | 150           |
| Susan Clayton                  | 55                           | -                 | -                                  | 55                | -                            | -                                   | -                        | -                 | 55            |
| Richard Cotton                 | 45                           | -                 | -                                  | 45                | -                            | -                                   | -                        | -                 | 45            |
| Richard Gillingwater           | 55                           | -                 | -                                  | 55                | -                            | -                                   | -                        | -                 | 55            |
| Richard Grant                  | 55                           | -                 | -                                  | 55                | -                            | -                                   | -                        | -                 | 55            |
| Michael O'Donnell              | 55                           | -                 | -                                  | 55                | -                            | -                                   | -                        | -                 | 55            |
| Former Non-Executive Directors |                              |                   |                                    |                   |                              |                                     |                          |                   |               |
| Nigel McNair Scott             | 52                           | 5                 | -                                  | 57                | -                            | -                                   | -                        | -                 | 57            |
| Andrew Gulliford               | 17                           | -                 | -                                  | 17                | -                            | -                                   | -                        | -                 | 17            |
| Total                          | 2,122                        | 205               | 28                                 | 2,355             | 2,700                        | 1,351                               | 2,988                    | 7,039             | 9,394         |

1 Benefits include the provision of a car/car allowance, fuel allowance, private medical cover, life assurance and permanent health insurance.

2 Share awards are included at their actual vesting values in September 2017 and November 2017 of 296.50p and 300.00p. The table included in the 2017 financial statements included share awards at the average share price in the three months to 31 March 2017 of 303.17p.

The information in this section has been audited.

#### HELICAL ANNUAL BONUS SCHEME 2016

The Helical Annual Bonus Scheme 2016 was approved by Shareholders at the 2016 AGM. This scheme provides annual cash bonuses based on the performance of the Group's property portfolio and is aligned with Shareholders' interests through a profit sharing model, with appropriate hurdles and Shareholder protections (including deferral and clawback). Total 2016 Bonus Scheme bonuses have been accrued in the financial statements for the year to 31 March 2018 and the cash element will be payable in June 2018.

The main features of the 2016 Bonus Scheme as applied to the year to 31 March 2018 were as follows:

- The scheme participants were Gerald Kaye, Tim Murphy and Matthew Bonning-Snook;
- In accordance with the terms of his departure from the Company, Duncan Walker, who stepped down from the Board in July 2017, was not eligible for a bonus in respect of the year to 31 March 2018;
- All property assets held during the year were allocated to the "Profit Pool";
- Investment assets were included at valuation as at 31 March 2017 with subsequent valuation movements increasing or decreasing the size of the Profit Pool. Development assets were also included at valuation as at 31 March 2017 with subsequent valuation movements increasing or decreasing the size of the Profit Pool;

- Development profits, development management fees, net rents, other income and profits/losses on the sale of property assets were allocated to the Profit Pool; and

- Profits in the Profit Pool 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 of 7%, 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 were available to participants for distribution ("Bonus Award Pool") at the end of the relevant financial year;
- The distribution of the Bonus Award Pool to participants is restricted to 200% of salary for Tim Murphy and 300% for each of the other scheme participants. Any excess is deferred and carried forward to the subsequent year to form part of the Bonus Award Pool for up to a maximum of the next two years; and
- Two thirds of any payment is to be paid in cash in June 2018 and one third is deferred for three years into Helical plc shares.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### BONUS AWARD POOL - YEAR TO 31 MARCH 2018

The amount transferred to the Bonus Award Pool based on the results of the Group for the year to 31 March 2018 and its allocation to cash and deferred share awards is as follows:

| Profit Pool                                              | £000     |
|----------------------------------------------------------|----------|
| Gross profit                                             | 74,263   |
| Administration costs (before performance-related awards) | (11,023) |
| Net finance costs                                        | (33,136) |
| Tax adjustment - joint ventures                          | (1,309)  |
| Accounting profits eligible for annual bonus award       | 28,795   |
| Movement in fair value of stock                          | (6,237)  |
| Equity charge in the year                                | (36,336) |
| Net profits eligible for annual bonus award              | (13,778) |

| Bonus Award Pool                                                    | £000    |
|---------------------------------------------------------------------|---------|
| Surplus Bonus Award Pool brought forward from 31 March 2017         | 9,823   |
| Amount transferred to Bonus Award Pool - 10% of Profit Pool         | (1,378) |
| Bonus award in year to 31 March 2018                                | (2,747) |
| Negative discretion applied to 2017/18 bonus award - 25%            | 687     |
| Bonus Award Pool forfeited as a result of carry forward restriction | (6,385) |
| Surplus Bonus Award Pool carried forward at 31 March 2018           | -       |

Following a review of Helical's performance in the year to 31 March 2018 and reflecting on the experience of Shareholders in the corresponding period and following discussions with scheme participants, negative discretion has been applied to the bonus award for 2017/18. This has reduced bonus awards by 25%.

Subject to Shareholder approval at the 2018 AGM, the Annual Bonus Scheme 2016 will be replaced by the Annual Bonus Scheme 2018 and there will be no bonus pool at 31 March 2018.

#### HELICAL ANNUAL BONUS SCHEME - DEFERRED SHARES

Under the terms of the Annual Bonus Scheme 2012 and Annual Bonus Scheme 2016, one third of annual bonuses awarded to scheme participants each year are deferred for three years into Helical plc shares. Deferred shares awarded under the terms of these schemes, and which vested during the year to 31 March 2018, are as noted in the table below:

| Participant           | Deferred Shares<br>1 April<br>2017 | 2014 Award<br>Vesting<br>22 June<br>2017 | 2017<br>Award<br>28 June<br>2017 | Deferred<br>Shares<br>31 March<br>2018 | Expected <sup>1</sup><br>2018<br>Award | Dividend<br>Shares<br>Awarded on<br>2014 Vesting |
|-----------------------|------------------------------------|------------------------------------------|----------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------------|
| Gerald Kaye           | 321,300                            | (118,757)                                | 155,482                          | 358,025                                | 115,274                                | 9,597                                            |
| Tim Murphy            | 42,434                             | -                                        | -                                | 42,434                                 | -                                      | -                                                |
| Matthew Bonning-Snook | 299,113                            | (111,940)                                | 127,201                          | 314,374                                | 89,668                                 | 9,046                                            |

<sup>1</sup> The Expected 2018 Deferred Share Award represents the deferred share element of the annual bonus awarded in respect of the year to 31 March 2018 at 335.07p per share, the average share price over the three months to 31 March 2018.

#### PSP AWARDS VESTING IN 2018

The PSP award granted on 8 June 2015 will vest after 9 June 2018. The expected vesting percentage is as follows:

| Metric                               | Performance Condition                                                                                                                                                                                                           | Weighting | Threshold<br>Target | Stretch<br>Target          | Actual | % Vesting<br>(max 33.33%<br>each) |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------------|----------------------------|--------|-----------------------------------|
| NAV<br>(fully diluted<br>triple net) | <b>Net Asset Value Growth</b><br>10% of this part of an award vests for pre-dividend compound NAV growth of 7.5% pa increasing pro-rata to 100% of this part of an award vesting for pre-dividend compound NAV growth of 15% pa | 33.33%    | 7.5%                | 15.0%                      | 9.8%   | 12.32%                            |
| TPR                                  | <b>Total Property Return v IPD property</b><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                       | 33.33%    | Median<br>8.9%      | Upper<br>quartile<br>10.1% | 13.9%  | 33.33%                            |
| TSR                                  | <b>Total Shareholder Return</b><br>10% of this part of an award vests for median ranking increasing pro-rata to 100% of this part of an award for upper quartile or above performance                                           | 33.33%    | Median<br>9.8%      | Upper<br>quartile<br>35.5% | -7.1%  | 0.00%                             |
| <b>Total</b>                         |                                                                                                                                                                                                                                 |           |                     |                            |        | <b>45.65%</b>                     |

Based on the above and given that net asset 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 are as follows:

| Directors                  | Number of shares at grant | Number of shares expected to lapse | Number of shares expected to vest | Estimated value at vesting <sup>1</sup> £'000 |
|----------------------------|---------------------------|------------------------------------|-----------------------------------|-----------------------------------------------|
| Gerald Kaye                | 289,857                   | 157,538                            | 132,319                           | 443                                           |
| Tim Murphy                 | 200,357                   | 108,895                            | 91,412                            | 306                                           |
| Matthew Bonning-Snook      | 267,857                   | 145,581                            | 122,276                           | 410                                           |
| Michael Slade <sup>2</sup> | 375,214                   | 300,131                            | 75,083                            | 252                                           |

<sup>1</sup> The share price used to calculate the expected value at vesting was 335.07p, based on the average share price over the three months to 31 March 2018.

<sup>2</sup> Reflecting Michael Slade's move from Chief Executive to Chairman in 2016, his PSP awards vest on the normal vesting dates, subject to pro-rating to reflect the period of time served as an Executive Director.

The share awards presented for the comparatives in the remuneration table on page 85 above are based on the 2014 PSP awards granted on 25 July 2014. The three-year performance period to 31 March 2017 showed that the net asset value per share, calculated in accordance with the terms of the 2004 PSP, had increased by 16.9% pa. During this three-year period the total return of Helical's property portfolio, as determined by IPD, was 9.4% compared to the upper quartile of the IPD Benchmark which showed a return of 6.9%. The TSR of the Company during the period was minus 10.3% compared to the median of plus 19.5% and upper quartile of 39.6%. Therefore, 66.7% of the shares vested. The share price used to calculate the expected value at vesting for the 2014 PSP awards was 303.17p (based on the average share price over the three months to 31 March 2017). The actual share prices at vesting on 26 September 2017 and 22 November 2017 were 296.50p and 300.00p respectively and the comparative figures reflect these actual vesting share prices.

The information in this section has been audited.

#### PSP AWARDS GRANTED IN THE YEAR

The following conditional awards were granted on 6 June 2017 under the 2014 PSP in the year:

| Individual            | Basis of award (as a % of salary) | Face value £000 | Vesting at threshold | Vesting at maximum | Performance period       |
|-----------------------|-----------------------------------|-----------------|----------------------|--------------------|--------------------------|
| Gerald Kaye           | 300%                              | 1,425           | 10%                  | 100%               | 3 years to 31 March 2020 |
| Tim Murphy            | 300%                              | 872             | 10%                  | 100%               | 3 years to 31 March 2020 |
| Matthew Bonning-Snook | 300%                              | 1,166           | 10%                  | 100%               | 3 years to 31 March 2020 |

Details of the performance targets attached to the awards are set out on page 90.

The total number of awards made to Directors under the terms of the 2014 PSP which have not yet vested are as follows:

| Director                   | Shares awarded 08.06.15 at 420.00p | Shares awarded 01.06.16 at 395.00p | Shares awarded 06.06.17 at 320.00p | Total shares awarded |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------|
| Gerald Kaye                | 289,857                            | 314,354                            | 445,312                            | 1,049,523            |
| Tim Murphy                 | 200,357                            | 217,291                            | 272,531                            | 690,179              |
| Matthew Bonning-Snook      | 267,857                            | 290,506                            | 364,312                            | 922,675              |
| Michael Slade <sup>1</sup> | 375,214                            | -                                  | -                                  | 375,214              |

<sup>1</sup> Outstanding PSP awards made to Michael Slade will vest on the normal vesting dates, pro-rated to reflect the period served as an Executive Director.

It is currently expected that 45.7% of the shares awarded on 8 June 2015, 16.7% of the shares awarded on 1 June 2016 and 24.6% of the shares awarded on 6 June 2017 will vest.

The information in this section has been audited.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### VESTING OF PSP AWARDS

Awards to Executive Directors, in office during each year and excluding leavers, which have vested or are expected to vest in accordance with the terms of the 2004 and 2014 PSP schemes in the last nine years are as follows:

#### HELICAL BAR 2002 APPROVED SHARE INCENTIVE PLAN

Under the terms of this Plan employees of the Group are given annual awards of free shares with a value of £3,600 and participants are allowed to purchase additional shares up to a value of £1,800, to be matched in a ratio of 2:1 by the Company. Provided participants remain employed by the Group for a minimum of three years they will retain the free and matching shares.

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

|                       | 16 March<br>2018<br>at 342.50p | 9 January<br>2018<br>at 353.00p | 12 December<br>2017<br>at 301.75p | 8 September<br>2017<br>at 329.50p | 14 August<br>2017<br>at 340.25p | 7 June<br>2017<br>at 320.00p |
|-----------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------|
| Gerald Kaye           | 393                            | 350                             | 447                               | 408                               | 875                             | 1,545                        |
| Tim Murphy            | 393                            | 199                             | 447                               | 408                               | 494                             | 1,545                        |
| Matthew Bonning-Snook | 393                            | 346                             | 447                               | 408                               | 868                             | 1,545                        |

Shares held by the Trustees of the Plan at 31 March 2018 were 462,996 (2017: 437,597).

The information in this section has been audited.

#### PAYMENTS TO FORMER DIRECTORS

Jack Pitman stepped down from the Board on 13 February 2015 and ceased employment on 31 March 2015. The only payments made to Jack Pitman in the year to 31 March 2018 were in respect of his 2014 PSP award, which vested in July 2017 at a pro-rated value amounting to £203,000 and deferred shares in respect of the bonuses awarded in accordance with the Annual Bonus Scheme in 2013 and 2014 (which do not vest for a minimum of three years) amounting to a value of £420,000. No further payments will be made to Jack Pitman.

Duncan Walker stepped down from the Board on 12 July 2017 and ceased employment on 11 January 2018. The value of remuneration received as an Executive Director is presented in the Directors' Remuneration Table on page 84. In addition, after stepping down from the Board, he received £215,000 in relation to basic salary, benefits and Share Incentive Plan awards during his six-month notice period. No payments were or will be made after 11 January 2018. In accordance with his Termination Agreement, all outstanding share awards under the 2014 Performance Share Plan, and his deferred share awards under the 2012 Annual Bonus Scheme and 2016 Annual Bonus Scheme, lapsed on 11 January 2018.

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR TO 31 MARCH 2019

### 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 with 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' basic annual salaries at 31 March 2018 and increases from 1 April 2018 are as follows:

| Director              | At<br>31 March<br>2018<br>£ | Increases<br>wef<br>1 April<br>2018<br>£ | At<br>1 April<br>2018<br>£ |
|-----------------------|-----------------------------|------------------------------------------|----------------------------|
| Gerald Kaye           | 515,000                     | 17,000                                   | 532,000                    |
| Tim Murphy            | 299,700                     | 9,900                                    | 309,600                    |
| Matthew Bonning-Snook | 400,600                     | 13,200                                   | 413,800                    |

The Committee's policy in respect of basic salaries is that they should be reviewed annually and increased to reflect an appropriate level of inflation (being linked to the Retail Price Index) 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 contributions increase.

The Committee has determined that the basic salaries for the Executive Directors should increase from 1 April 2018 by 3.3%, being the increase in RPI to 31 March 2018, compared to an average 7.8% awarded to other employees.

### BENEFITS-IN-KIND AND PENSION PROVISION

Benefits-in-kind provided to Executive Directors comprise the provision of a company car or car allowance, car fuel, private medical cover, permanent health insurance, life insurance and participation in the Company's Share Incentive Plan. There is no Group pension scheme for Directors and no contributions will be paid by the Group to the Directors' own pension schemes.

## ANNUAL BONUSES

### HELICAL ANNUAL BONUS SCHEME 2018

Gerald Kaye, Tim Murphy and Matthew Bonning-Snook will, subject to Shareholder approval, participate in the Annual Bonus Scheme 2018 which is to be considered by Shareholders at the 2018 AGM. This scheme will, if approved, provide annual bonuses based on the performance of the property portfolio, the Group and the individual Directors and is aligned with Shareholders' interests with appropriate hurdles and Shareholder protections.

The main features of the Annual Bonus Scheme 2018, that will apply to the year to 31 March 2019, will be as follows:

- 50% of the maximum annual bonus will be payable if the Total Property Return ("TPR") of the Group's property portfolio matches or exceeds the performance of the IPD Central London Offices Total Return Index ("Index") plus 3.25%, with 20% of this part of the award paid out if the performance matches the performance of the Index;
- 25% of the maximum annual bonus will be payable if the Total Accounting Return ("TAR") of the Group (Growth in IFRS NAV plus dividends), calculated annually, is or exceeds 10.0%, with 20% of this part of the award paid out if the TAR is 5.0%; and
- 25% of the maximum annual bonus will be payable if strategic/personal objectives, to be determined by the Committee and reported on retrospectively each year, are met.

The Committee will regularly review the threshold and maximum TPR and TAR targets to ensure they remain appropriate to the Group's strategy and market conditions.

### SHAREHOLDER PROTECTIONS

- Annual bonus payments to individual Directors will be restricted in any financial year to 150% of salary;
- Until the minimum shareholding guideline of 500% of salary is met, two thirds of any payment is made in cash after the relevant year end and one third is deferred for three years into Helical plc shares. Once the minimum shareholding guideline is met, any bonus payment is made in cash up to 100% of salary and in deferred shares from 100% to 150% of salary;
- The Committee will have a general negative discretion surrounding bonus payments and, to the extent there is a low or no bonus payable on the financial measures, it will retain the discretion to reduce (including to zero) the payment under the strategic/personal targets;
- The scheme will operate malus and clawback provisions, whereby amounts deferred or the net of tax amounts paid may be recovered or withheld in the event of a misstatement of results, an error being made in assessing the calculation or in the event of gross misconduct; and
- The Committee will have discretion to award annual bonuses in deferred shares (in full or in part) irrespective of an Executive Director's shareholding guidelines, although it is expected that this discretion would only be used in exceptional circumstances.

### OTHER MATTERS

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 standard 5% in ten-year dilution limit will apply.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## LONG-TERM INCENTIVES

### PERFORMANCE SHARE PLAN 2014

- It is anticipated that long-term incentives will be granted to all Executive Directors and senior management in June 2018 in the form of nil cost options awarded under the terms of the 2014 PSP Scheme. For Executive Directors the awards will be granted at 250% of base salary as at 31 March 2018.
- 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.
- Performance conditions for the awards to be granted in 2018 will be equally weighted and measured over the three years to 31 March 2021 as follows:

### GROWTH IN NET ASSET VALUE

The "fully diluted triple 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 and changes in issued share capital):

| Annual compound increase after three years | % of award vesting            |
|--------------------------------------------|-------------------------------|
| 12.5% pa or more                           | 33.3                          |
| Between 5.0% pa and 12.5% pa               | Pro rata between 3.3 and 33.3 |
| 5.0% pa                                    | 3.3                           |
| Below 5.0% pa                              | nil                           |

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

### TOTAL PROPERTY RETURN VERSUS IPD PROPERTY FUNDS

| 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                  | nil                           |

The Total Property Return of the Group's property portfolio will be compared to the IPD Central London Offices Total Return Index.

## RELATIVE TSR

| 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                  | nil                           |

The comparator group for the awards to be granted in 2018 will be the companies noted under Peer Group on page 79.

Share awards will lapse in full where:

- Net asset value per share (having added back dividends and changes in issued share capital) 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 5.0% pa and relative TSR is below median over the three-year period.

### NON-EXECUTIVE DIRECTORS' FEES

On 9 February 2018, fees payable to Richard Grant and Richard Cotton were each increased to £70,000 pa to reflect their increased responsibilities arising from their respective appointments as Deputy Chairman and Senior Independent Director.

No increases to Non-Executive Directors' annual fees were awarded from 1 April 2018. Current fees are as follows:

| Director                   | 1 April 2017<br>£ | Increases<br>wef<br>9 February<br>2018<br>£ | 1 April<br>2018<br>£ |
|----------------------------|-------------------|---------------------------------------------|----------------------|
| Michael Slade <sup>1</sup> | 155,000           | -                                           | 155,000              |
| Susan Clayton              | 55,000            | -                                           | 55,000               |
| Richard Cotton             | 45,000            | 25,000                                      | 70,000               |
| Richard Gillingwater       | 55,000            | -                                           | 55,000               |
| Richard Grant              | 55,000            | 15,000                                      | 70,000               |
| Michael O'Donnell          | 55,000            | -                                           | 55,000               |

<sup>1</sup> Michael Slade is paid a fee of £155,000 and has the use of administrative staff in connection with non-Helical matters, the value of which is estimated at £20,000 pa.

## OTHER REMUNERATION MATTERS

### SHARE PRICE PERFORMANCE AND TOTAL SHAREHOLDER RETURN

The market price of the ordinary shares at 31 March 2018 was 323.00p (2017: 313.25p). This market price varied between 288.50p and 362.00p and at an average of 322.72p during the year.

The Total Shareholder Returns for a holding in the Group's shares in the three, nine and 11 years to 31 March 2018 compared to a holding in the FTSE 350 Super-Sector Real Estate Index are shown in the graphs below. This index has been chosen because it includes the majority of listed real estate companies.

#### THREE YEARS TO 31 MARCH 2018

The graph showing the relative performance of Helical during the three years to 31 March 2018 matches the performance period for the 2015 PSP award granted on 8 June 2015 and which will be assessed against its performance criteria after 8 June 2018.

This graph shows the value, by 31 March 2018, of £100 invested in Helical on 31 March 2015, compared with the value of £100 invested in the FTSE 350 Super-Sector Real Estate Index.

#### NINE YEARS TO 31 MARCH 2018

The base position at 31 March 2009, from which subsequent performance is measured as required by the Regulations, is the nearest accounting period end to the bottom of the last property cycle. Helical's share price at that date was 287.50p per share, a small premium to the EPRA net asset value per share of 286.00p per share. The Company's share price, at that stage, had not fallen as much as the average of the FTSE 350 Super-Sector Real Estate Index and remained at a premium until 2012. The subsequent performance of the Company's TSR reflects the relatively higher base position of Helical's share price.

This graph shows the value, by 31 March 2018, of £100 invested in Helical on 31 March 2009, compared with the value of £100 invested in the FTSE 350 Super-Sector Real Estate Index.

#### 11 YEARS TO 31 MARCH 2018

The 11 years to 31 March 2018 covers the end of the previous property cycle, the impact of the Financial Crisis of 2008 and the subsequent economic recovery and the impact of the decision of the UK to leave the European Union in June 2016. The graph below shows that Helical's share price remained at a premium to NAV per share until 2012, following which it fell to a low of 164.00p before recovering and growing to 474.75p at 31 December 2015. Since then the share price has fallen to a low of 230.00p before increasing to 323.00p at 31 March 2018.

This graph shows the value, by 31 March 2018, of £100 invested in Helical on 31 March 2007, compared with the value of £100 invested in the FTSE 350 Super-Sector Real Estate Index.

## DIRECTORS' REMUNERATION REPORT

### CONTINUED

#### REMUNERATION OF THE CHIEF EXECUTIVE

Comparing the nine-year TSR of the Company, as noted on page 91, to the remuneration of the Chief Executive, the table below presents single figure remuneration for the Chief Executive over the period, since 31 March 2009, together with past annual bonus payouts and the vesting of long-term incentive share awards:

| Year ended    | Name          | Total Remuneration<br>£000 | Annual Bonus<br>(% of max<br>payout) | LTIP<br>(% of max<br>vesting) |
|---------------|---------------|----------------------------|--------------------------------------|-------------------------------|
| 31 March 2018 | Gerald Kaye   | 2,181                      | 75                                   | 46                            |
| 31 March 2017 | Gerald Kaye   | 2,635 <sup>1</sup>         | 100                                  | 66                            |
| 31 March 2016 | Michael Slade | 3,867                      | 100                                  | 100                           |
| 31 March 2015 | Michael Slade | 5,534                      | 100                                  | 100                           |
| 31 March 2014 | Michael Slade | 3,343                      | 100                                  | 62                            |
| 31 March 2013 | Michael Slade | 1,523                      | 65                                   | -                             |
| 31 March 2012 | Michael Slade | 541                        | -                                    | -                             |
| 31 March 2011 | Michael Slade | 538                        | -                                    | -                             |
| 31 March 2010 | Michael Slade | 1,500 <sup>2</sup>         | -                                    | -                             |

1 The total remuneration of Gerald Kaye includes the period whilst he was an Executive Director but prior to his appointment as CEO on 25 July 2016.

2 The total remuneration in the year to 31 March 2010 includes £973,000 in respect of share options granted in 2000 and eligible to vest between 2005 and 2010.

#### CHIEF EXECUTIVE'S REMUNERATION COMPARED TO REMUNERATION OF HELICAL EMPLOYEES

##### Percentage Increases in Chief Executive Remuneration

|                                   | 2018<br>£000     | 2017<br>£000 | Change<br>% | Average<br>change for<br>Helical<br>employee<br>% |
|-----------------------------------|------------------|--------------|-------------|---------------------------------------------------|
| <b>Chief Executive</b>            |                  |              |             |                                                   |
| Salary                            | 515 <sup>1</sup> | 475          | +8.4        | +8.7                                              |
| Benefits and share incentive plan | 64               | 55           | +16.4       | +5.1                                              |
| Annual bonus                      | 1,159            | 1,425        | -18.7       | +21.6                                             |

1 At the 2016 AGM, changes to the remuneration of Gerald Kaye on his appointment as Chief Executive were approved by Shareholders. These changes included an increase in salary to £515,000 pa over a two-year period, subject to satisfactory performance over that period. In March 2017, the Committee reviewed the performance of Gerald Kaye and was satisfied that the final increase, up to the targeted level of £515,000 pa, should be implemented with effect from 1 April 2017. It is expected that future increases will be linked to RPI.

|                                                | 2018<br>£000 | 2017<br>£000 | Change<br>% |
|------------------------------------------------|--------------|--------------|-------------|
| <b>Relative Importance of the spend on pay</b> |              |              |             |
| Staff costs                                    | 6,294        | 12,070       | -47.9       |
| Distributions to Shareholders <sup>1</sup>     | 11,236       | 10,004       | +12.3       |
| Net asset value of the Group                   | 533,894      | 516,897      | +3.3        |

1 In respect of the financial year to which they relate.

#### DIRECTORS' SHARE INTERESTS AND SHAREHOLDING GUIDELINES

|                       | Salary <sup>1</sup><br>£ | Shareholding<br>requirement <sup>2</sup><br>£ | Value of<br>beneficially<br>held shares <sup>3</sup><br>£ | Ratio of<br>shares held<br>to salary<br>% |
|-----------------------|--------------------------|-----------------------------------------------|-----------------------------------------------------------|-------------------------------------------|
| Gerald Kaye           | 515,000                  | 1,545,000                                     | 5,384,000                                                 | 1,045                                     |
| Tim Murphy            | 299,700                  | 899,100                                       | 2,174,000                                                 | 725                                       |
| Matthew Bonning-Snook | 400,600                  | 1,201,800                                     | 2,951,000                                                 | 737                                       |

1 Salaries as at 31 March 2018.

2 Shareholding requirement is 300% of salary, increasing to 500% of salary with effect from the 2018 AGM.

3 Value as per the weighted average share price for the three months to 31 March 2018 of 335.07p.

## DIRECTORS' SHAREHOLDINGS

|                                | Legally<br>owned<br>31.3.17 | Legally<br>owned<br>31.3.18 | Share<br>Incentive<br>Plan<br>unrestricted<br>31.3.18 | Beneficially<br>Held<br>Total<br>31.3.18 | Deferred<br>shares<br>31.3.18 | Share<br>Incentive<br>Plan<br>restricted<br>31.3.18 | PSP<br>awards<br>unvested<br>31.3.18 |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------------------------------|------------------------------------------|-------------------------------|-----------------------------------------------------|--------------------------------------|
| <b>Executive Directors</b>     |                             |                             |                                                       |                                          |                               |                                                     |                                      |
| Gerald Kaye                    | 1,386,145                   | 1,574,326                   | 32,581                                                | 1,606,907                                | 358,025                       | 17,952                                              | 1,049,523                            |
| Tim Murphy                     | 553,068                     | 636,120                     | 12,581                                                | 648,701                                  | 42,434                        | 16,502                                              | 690,179                              |
| Matthew Bonning-Snook          | 673,366                     | 848,522                     | 32,184                                                | 880,706                                  | 314,374                       | 17,905                                              | 922,675                              |
| <b>Non-Executive Directors</b> |                             |                             |                                                       |                                          |                               |                                                     |                                      |
| Michael Slade                  | 12,633,607                  | 12,164,203                  | -                                                     | 12,164,203                               | -                             | -                                                   | 375,214                              |
| Susan Clayton                  | -                           | -                           | -                                                     | -                                        | -                             | -                                                   | -                                    |
| Richard Cotton                 | 25,000                      | 25,000                      | -                                                     | 25,000                                   | -                             | -                                                   | -                                    |
| Richard Gillingwater           | 11,500                      | 11,500                      | -                                                     | 11,500                                   | -                             | -                                                   | -                                    |
| Richard Grant                  | 15,000                      | 15,000                      | -                                                     | 15,000                                   | -                             | -                                                   | -                                    |
| Michael O'Donnell              | 67,000                      | 67,000                      | -                                                     | 67,000                                   | -                             | -                                                   | -                                    |

The three Executive Directors of Helical have an average length of service of over 23 years and have built up a shareholding during that time of c. 3.1m shares with a market value at 31 March 2018 of c. £10.1m.

## ADVISORS TO THE COMMITTEE

The Committee consults the Chief Executive and Finance Director about its proposals and has access to professional advice from FIT Remuneration Consultants LLP, who are members of the Remuneration Consultants Group, which is responsible for developing and maintaining the Code of Conduct for Consultants to Remuneration Committees of UK listed companies. Terms of reference for the remuneration consultants, which provided no other services to the Company, are available from the Company Secretary on request. Fees paid to FIT in the year to 31 March 2018 amounted to £39,777 (2017: £1,500).

## SHAREHOLDER VOTING AT THE LAST AGM

Details of the 2016 binding Remuneration Policy vote and the 2017 advisory Annual Remuneration Report vote was as follows:

|                                   | Issued      | For        | %    | Against    | %    | Withheld | Total      |
|-----------------------------------|-------------|------------|------|------------|------|----------|------------|
| Remuneration Policy (2016)        | 118,183,806 | 96,585,226 | 97.1 | 2,927,565  | 2.9  | 54,863   | 99,567,654 |
| Annual Remuneration Report (2017) | 118,534,278 | 81,173,041 | 84.1 | 15,381,808 | 15.9 | 2,265    | 96,557,114 |

The Committee was pleased to note the level of Shareholder support for the Remuneration Policy and the Annual Report on Remuneration.

Approved by the Board on 24 May 2018 and signed on its behalf.



MICHAEL O'DONNELL  
Chairman of the Remuneration Committee

## 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 Strategic Report on pages 2 to 59 which should be read in conjunction with this report.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 102 and Consolidated Statement of Comprehensive Income on page 102. An interim dividend of 2.50p (2017: 2.40p) was paid on 22 December 2017 to Shareholders on the Shareholder register on 24 November 2017. A final dividend of 7.00p (2017: 6.20p) per share is recommended for approval at the Annual General Meeting ("AGM") to be held on 12 July 2018 and, if approved, will be paid on 20 July 2018 to Shareholders on the register on 15 June 2018. The total ordinary dividend declared and paid in the year of 8.70p (2017: 3.12p) per share amounts to £10,195,000 (2017: £3,566,000).

## DIRECTORS

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

Details of the Directors' interests in the ordinary shares of the Company are shown on page 93.

Biographical details of all Directors are shown on pages 66 and 67. All the Directors currently serving, except for Richard Gillingwater, will offer themselves for re-election at the AGM to be held on 12 July 2018. Details of Directors' remuneration and their interests in share awards are set out in the Directors' Remuneration Report on pages 76 to 93.

## CORPORATE GOVERNANCE

The Group's corporate governance policies, compliance with the UK Corporate Governance Code and Going Concern statement are set out in the Governance Review on pages 68 to 71.

## 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 under an established procedure and any conflicts or potential conflicts are noted at each Board meeting.

## 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.

## POLITICAL DONATIONS

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 2018.

## FINANCIAL INSTRUMENTS, CAPITALISED INTEREST AND LONG-TERM INCENTIVE SCHEMES

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.

Interest capitalised on the Group property portfolio is shown in notes 14 and 19. Long-term incentive schemes are explained in the Directors' Remuneration Report on pages 76 to 93.

## 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, Annual Bonus Scheme and Performance Share Plan contain provisions relating to the vesting and exercise of options or share awards in the event of a change of control of the Company.

|                                | Age | Date of appointment | Date of departure | Title                                                 |
|--------------------------------|-----|---------------------|-------------------|-------------------------------------------------------|
| <b>Chairman</b>                |     |                     |                   |                                                       |
| Michael Slade                  | 71  | August 1984         |                   | Chairman                                              |
| <b>Executive Directors</b>     |     |                     |                   |                                                       |
| Gerald Kaye                    | 60  | September 1994      |                   | Chief Executive                                       |
| Tim Murphy                     | 58  | July 2012           |                   | Finance Director                                      |
| Matthew Bonning-Snook          | 50  | August 2007         |                   | Executive Director                                    |
| Duncan Walker                  | 39  | June 2011           | 12 July 2017      | Executive Director                                    |
| <b>Non-Executive Directors</b> |     |                     |                   |                                                       |
| Susan Clayton                  | 60  | February 2016       |                   | Chairman Property Valuations Committee                |
| Richard Cotton                 | 62  | March 2016          |                   | Senior Independent Director                           |
| Richard Gillingwater           | 63  | July 2012           |                   | Chairman Nominations Committee                        |
| Richard Grant                  | 64  | July 2012           |                   | Deputy Chairman and Chairman Audit and Risk Committee |
| Michael O'Donnell              | 51  | June 2011           |                   | Chairman Remuneration Committee                       |

|                                   | Number of<br>ordinary shares | %    |
|-----------------------------------|------------------------------|------|
| Michael E Slade                   | 12,164,203                   | 10.3 |
| Investec Asset Management         | 9,652,872                    | 8.1  |
| Baillie Gifford                   | 8,149,207                    | 6.9  |
| BlackRock                         | 7,048,785                    | 5.9  |
| Quilter plc                       | 5,967,024                    | 5.0  |
| Norges Bank Investment Management | 5,769,316                    | 4.9  |
| Janus Henderson Investors         | 5,591,649                    | 4.7  |
| Dimensional Fund Advisors         | 5,092,617                    | 4.3  |
| Aviva Investors                   | 5,071,469                    | 4.3  |
| Aberdeen Standard Investors       | 4,880,757                    | 4.1  |
| Schroder Investment Management    | 4,867,460                    | 4.1  |
| M&G Investment Management         | 3,704,252                    | 3.1  |

Further to the issue on 17 June 2014 of £100m 4.00% convertible bonds due for redemption in June 2019 (the "Convertible Bonds"), upon a change of control event as defined by the terms and conditions of the Convertible Bonds, the Bondholders will have the right to require the issuer to redeem the Convertible Bonds at their principal amount and together with their accrued interest.

#### 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 54 to 59.

#### POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 36 to the Financial Statements.

#### GROUP STRUCTURE

Details of the Group's subsidiary undertakings are disclosed in note 38 to the Financial Statements.

#### SHARE CAPITAL

Details of the Company's issued share capital are shown in note 27 to the financial statements. 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 2018 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 2017 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 2018 AGM, at which a resolution will be proposed to renew this authority.

#### SUBSTANTIAL SHAREHOLDINGS

As at 22 May 2018, the Shareholders listed above had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Group.

#### 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 12 July 2018 at 11.30am at The Connaught, Carlos Place, Mayfair, London W1K 2AL. The special business at the 2018 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 and the authority to call general meetings on not less than 14 clear days' notice. 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](http://www.helical.co.uk)

#### AUDITORS

The Audit and Risk Committee undertook a tender process in respect of the external audit service during the year, as detailed on pages 74 to 75. Deloitte LLP will be proposed for appointment to Shareholders at the 2018 AGM.

By Order of the Board

  
JAMES MOSS FCA  
Company Secretary

24 May 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Governance and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the Company and Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 the Directors' Remuneration Report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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.

The Directors confirm that:

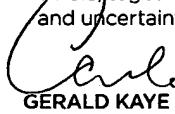
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

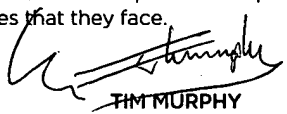
The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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.

We confirm to the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company 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 Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

  
GERALD KAYE  
Chief Executive

  
TIM MURPHY  
Finance Director

24 May 2018

# FINANCIAL STATEMENTS

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

## OPINION

### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Helical plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2018 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 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 Parent 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.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## WHO WE ARE REPORTING TO

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.

## CONCLUSIONS RELATING TO PRINCIPAL RISKS; GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### **Overview of our audit approach**

- Overall Group materiality: £10.1m, using 1% of the Group's total assets as a benchmark;
- In addition, we applied a lower materiality of £1.5m to all income statement items above operating profit excluding share of joint ventures' gain on loss of investment properties, and net gain on sale and revaluation of investment properties based on a benchmark of 5% of profit before tax for the year;
- Key audit matters were identified as revenue recognition and investment property valuation; and
- We performed full scope audit procedures at all material locations.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER - GROUP                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | HOW THE MATTER WAS ADDRESSED IN THE AUDIT - GROUP                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Investment property valuation</b><br/>The risk: Investment properties with a fair value of £802m are not valued appropriately.</p> <p>Investment property is held at fair value under International Accounting Standard (IAS) 40. The fair value of all of the Group's investment properties is determined based on level 3 fair value inputs as defined by IFRS 13 "Fair value measurement", which means that the inputs used in valuing investment properties are unobservable and are therefore subject to estimation. In determining a property's valuation the valuers take into account property specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.</p> <p>For developments classified as investment properties, the residual appraisal method is used, by estimating the fair value of the completed project less estimated costs to complete.</p> <p>We therefore identified investment property valuation as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• examining the qualifications and experience of the Group's independent external valuers and whether the basis of their valuations was consistent with the RICS "red book" as required by IAS 40;</li> <li>• evaluating evidence of the reliability of valuation estimations by comparing the historical trend of investment property sales with the related carrying values and testing gains or losses on investment property in the current year;</li> <li>• obtaining the information provided by management to the independent valuers to confirm it was consistent with information obtained during our audit;</li> <li>• analysis of year on year valuation movements including discussion of any outliers with both management and the independent valuers;</li> <li>• benchmarking, for outlier properties identified by the analysis above, valuation yields used in the external valuations to yields for comparable published market data and seeking further corroboration for those that fall outside a pre-determined range;</li> <li>• discussions with the independent valuers used to understand, and assess the appropriateness of the estimates, assumptions and valuation methodology used;</li> <li>• use of an internal valuation expert to assist with the assessment and challenge of the appropriateness of valuations; and</li> <li>• ensuring that valuations are reviewed and approved by the Property Valuations Committee through review of minutes and discussions with the Chair of the Committee.</li> </ul> <p>The Group's accounting policy on investment properties is shown in note 37 and related disclosures are included in note 14. The Audit and Risk Committee identified investment property valuation as a significant issue in its report on pages 74 and 75, where the Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b><br/>Based on our audit work, we are satisfied that:</p> <ul style="list-style-type: none"> <li>• investment property valuations were made by suitably qualified independent valuers using information provided by management that is consistent with information obtained during our audit; and</li> <li>• the judgements made, and assumptions used, by the valuers in determining the investment property valuations were balanced and supported by the evidence obtained from our testing.</li> </ul> |
| <p><b>Revenue recognition</b><br/>The risk: The revenue cycle includes fraudulent transactions.</p> <p>Under International Standard on Auditing (UK and Ireland) 240 "The auditor's responsibilities relating to fraud in an audit of financial statements", there is a presumed risk that revenue may be misstated owing to the improper recognition of revenue. The Group has complex contracts for which the timing and quantum of revenue recognition require the exercise of management judgement.</p> <p>Dependent upon the nature of the contract, this risk applies to development property revenues and rental income.</p> <p>We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• evaluating the Group's revenue recognition policies to confirm that they comply with International Financial Reporting Standards as adopted by the European Union and have been applied consistently;</li> <li>• agreeing, on a sample basis, net rental income to managing agents' reports and the underlying lease agreements;</li> <li>• testing a sample of development property sales and profits on a sample basis, to completion statements, relevant agreements and proceeds received; and</li> <li>• assessing the appropriateness of judgements exercised by management in respect of complex contracts.</li> </ul> <p>The Group's accounting policy on revenue recognition is shown in note 37 to the financial statements and related disclosures are included in note 2. The Audit and Risk Committee identified revenue recognition as a significant issue in its report on pages 74 and 75, where the Audit and Risk Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b><br/>Based on our audit work, we are satisfied that the judgements made, and assumptions used, by management, in determining the revenue recognised were balanced and supported by the evidence obtained from our testing.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

We did not identify any Key Audit Matters in relation to the Parent Company.

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

## OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

| MATERIALITY MEASURE                                             | GROUP                                                                                                                                                                                                                                                                                                                                                                                                              | PARENT                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial statements as a whole                                 | £10.1m using 1% of the Group's total assets as a benchmark. This benchmark is considered the most appropriate because total assets most appropriately reflects the ownership and valuation of investment properties of interest to the users of the financial statements which is a key area of audit focus.<br><br>Materiality for the year ended 31 March 2017 was also based on 1% of the Group's total assets. | £7.6m using total assets as a benchmark. This benchmark is considered the most appropriate because the Company is a holding company.<br><br>Materiality for the current year was also based on 1% of the Group's total assets capped at 75% of Group materiality. |
| Performance materiality used to drive the extent of our testing | 75% of financial statement materiality.                                                                                                                                                                                                                                                                                                                                                                            | 75% of financial statement materiality.                                                                                                                                                                                                                           |
| Specific materiality                                            | We applied a lower materiality of £1.5m to all income statement items above operating profit excluding share of joint ventures' gain on loss of investment properties, and net gain on sale and revaluation of investment properties based on a benchmark of 5% of profit before tax for the year.                                                                                                                 | Not applicable.                                                                                                                                                                                                                                                   |
| Communication of misstatements to the Audit and Risk Committee  | £508,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.                                                                                                                                                                                                                                                                                                       | £380,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.                                                                                                                                                      |

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

In order to address the audit risks described above, as identified during our planning procedures, we performed a full scope audit of the financial statements of the Parent Company, Helical plc, and of the financial information of all the Group's operations.

For Group reporting purposes a Group materiality is adopted for all subsidiary entities within the Group, unless there are specific reasons for adopting an entity materiality, for example where a subsidiary is partially owned by a third party. There are no separate Group components subject to audit by auditors other than the Group audit team.

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**Our opinions on other matters prescribed by the Companies Act 2006 are unmodified**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

**RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the "An overview of the scope of our audit" section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS**

Following the recommendation of the Board, we were appointed by the Board of Directors on 19 November 1979 to audit the financial statements for the 40-week period ended 2 February 1980 and subsequent financial periods.

The period of total uninterrupted engagement is 38 years, covering the years ended 2 February 1980 to 31 March 2018. Deloitte LLP have been appointed to audit the financial statements for the year ending 31 March 2019.

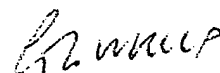
The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

**STEPHEN MASLIN**

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

24 May 2018



## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

|                                                                                      | Notes | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|--------------------------------------------------------------------------------------|-------|-------------------------------|-------------------------------|
| <b>Revenue</b>                                                                       |       |                               |                               |
| Net rental income                                                                    | 2     | 165,973                       | 99,934                        |
| Development property (loss)/profit                                                   | 3     | 36,329                        | 46,162                        |
| Share of results of joint ventures                                                   | 4     | (4,174)                       | 843                           |
| Other operating income                                                               | 18    | 3,196                         | (6,528)                       |
| <b>Gross profit before net gain on sale and revaluation of investment properties</b> |       | <b>111</b>                    | <b>982</b>                    |
| Net gain on sale and revaluation of investment properties                            |       | 35,462                        | 41,459                        |
| Fair value movement of available-for-sale assets                                     | 5     | 37,415                        | 40,543                        |
| <b>Gross profit</b>                                                                  | 20    | <b>1,385</b>                  | <b>(3,352)</b>                |
| Administrative expenses                                                              |       | 74,262                        | 78,650                        |
| <b>Operating profit</b>                                                              | 6     | <b>(12,765)</b>               | <b>(18,372)</b>               |
| Finance costs                                                                        |       | 61,497                        | 60,278                        |
| Finance income                                                                       | 8     | (37,438)                      | (25,598)                      |
| Change in fair value of derivative financial instruments                             | 8     | 4,303                         | 3,156                         |
| Change in fair value of Convertible Bond                                             | 35    | 4,029                         | 789                           |
| Foreign exchange loss                                                                | 24    | (1,559)                       | 2,973                         |
| <b>Profit before tax</b>                                                             |       | <b>(10)</b>                   | <b>(3)</b>                    |
| Tax on profit on ordinary activities                                                 |       | 30,822                        | 41,595                        |
| <b>Profit for the year</b>                                                           | 9     | <b>(4,537)</b>                | <b>(2,471)</b>                |
| <b>Earnings per share</b>                                                            | 13    |                               |                               |
| Basic                                                                                |       | 26,285                        | 39,124                        |
| Diluted                                                                              |       | 22.3p                         | 34.0p                         |
|                                                                                      |       | 22.1p                         | 33.2p                         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

|                                                                               | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|-------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>Profit for the year</b>                                                    | <b>26,285</b>                 | <b>39,124</b>                 |
| Exchange difference on retranslation of net investments in foreign operations | (15)                          | 48                            |
| <b>Total comprehensive income for the year</b>                                | <b>26,270</b>                 | <b>39,172</b>                 |

The exchange differences on retranslation of net investments in foreign operations will be reclassified to the Income Statement on disposal.

# CONSOLIDATED AND COMPANY BALANCE SHEETS

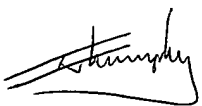
At 31 March 2018

|                                              | Notes | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|----------------------------------------------|-------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Non-current assets</b>                    |       |                          |                          |                            |                            |
| Investment properties                        | 14    | 791,948                  | 987,560                  | -                          | -                          |
| Owner occupied property, plant and equipment | 16    | 1,825                    | 2,124                    | 1,820                      | 2,039                      |
| Investment in subsidiaries                   | 17    | -                        | -                        | 165,928                    | 125,399                    |
| Investment in joint ventures                 | 18    | 27,809                   | 19,882                   | 15                         | 15                         |
| Derivative financial instruments             | 35    | 123                      | -                        | -                          | -                          |
| Deferred tax asset                           | 10    | -                        | -                        | 564                        | 1,104                      |
|                                              |       | 821,705                  | 1,009,566                | 168,327                    | 128,557                    |
| <b>Current assets</b>                        |       |                          |                          |                            |                            |
| Land, developments and trading properties    | 19    | 6,042                    | 86,680                   | -                          | 45                         |
| Corporation tax receivable                   |       | 3,736                    | 3,320                    | -                          | 1,744                      |
| Trade and other receivables                  | 21    | 100,757                  | 73,925                   | 369,072                    | 655,216                    |
| Cash and cash equivalents                    | 22    | 91,871                   | 99,262                   | 63,350                     | 59,098                     |
|                                              |       | 202,406                  | 263,187                  | 432,422                    | 716,103                    |
| <b>Total assets</b>                          |       | 1,024,111                | 1,272,753                | 600,749                    | 844,660                    |
| <b>Current liabilities</b>                   |       |                          |                          |                            |                            |
| Trade and other payables                     | 23    | (51,378)                 | (56,349)                 | (323,225)                  | (438,911)                  |
| Borrowings                                   | 24    | -                        | (2,517)                  | -                          | -                          |
|                                              |       | (51,378)                 | (58,866)                 | (323,225)                  | (438,911)                  |
| <b>Non-current liabilities</b>               |       |                          |                          |                            |                            |
| Borrowings                                   | 24    | (416,992)                | (671,184)                | (98,694)                   | (173,604)                  |
| Derivative financial instruments             | 35    | (2,874)                  | (13,981)                 | (2,404)                    | (2,551)                    |
| Long leasehold liability                     | 26    | (2,189)                  | -                        | -                          | -                          |
| Deferred tax liability                       | 10    | (16,784)                 | (11,825)                 | -                          | -                          |
|                                              |       | (438,839)                | (696,990)                | (101,098)                  | (176,155)                  |
| <b>Total liabilities</b>                     |       | (490,217)                | (755,856)                | (424,323)                  | (615,066)                  |
| <b>Net assets</b>                            |       | 533,894                  | 516,897                  | 176,426                    | 229,594                    |
| <b>Equity</b>                                |       |                          |                          |                            |                            |
| Called-up share capital                      | 27    | 1,451                    | 1,447                    | 1,451                      | 1,447                      |
| Share premium account                        |       | 98,798                   | 98,798                   | 98,798                     | 98,798                     |
| Revaluation reserve                          |       | 162,753                  | 164,190                  | -                          | -                          |
| Capital redemption reserve                   |       | 7,478                    | 7,478                    | 7,478                      | 7,478                      |
| Other reserves                               |       | 291                      | 291                      | 1,987                      | 1,987                      |
| Retained earnings                            |       | 263,123                  | 244,693                  | 66,712                     | 119,884                    |
| <b>Total equity</b>                          |       | 533,894                  | 516,897                  | 176,426                    | 229,594                    |

The loss in the year for the Company was £42,977,000 (2017: profit of £6,045,000).

The financial statements were approved by the Board of Directors on 24 May 2018.

  
**GERALD KAYE**  
 Chief Executive

  
**TIM MURPHY**  
 Finance Director

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 March 2018

|                                                                       | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-----------------------------------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                           |                          |                          |                            |                            |
| Profit/(loss) before tax                                              | 30,822                   | 41,595                   | (42,477)                   | 6,317                      |
| Depreciation                                                          | 291                      | 391                      | 291                        | 316                        |
| Revaluation surplus on investment properties                          | (23,848)                 | (39,152)                 | -                          | -                          |
| Gain on sales of investment properties                                | (13,567)                 | (1,391)                  | -                          | -                          |
| Loss on sale of subsidiaries                                          | -                        | -                        | 35,387                     | -                          |
| Loss/(profit) on sale of plant and equipment                          | 81                       | (56)                     | -                          | (56)                       |
| Net financing costs                                                   | 33,135                   | 22,442                   | 17,248                     | 7,106                      |
| Change in fair value of derivative financial instruments              | (4,029)                  | (789)                    | -                          | -                          |
| Change in fair value of Convertible Bond                              | 1,559                    | (2,973)                  | (146)                      | (4,583)                    |
| Share-based payment charge                                            | 1,185                    | 1,672                    | -                          | -                          |
| Share of results of joint ventures                                    | (3,196)                  | 6,528                    | -                          | -                          |
| Fair value movement of available-for-sale assets                      | (1,385)                  | 3,352                    | -                          | -                          |
| Impairment of investments                                             | -                        | -                        | 6,556                      | -                          |
| Foreign exchange movement                                             | (19)                     | 6                        | -                          | -                          |
| <b>Cash inflows from operations before changes in working capital</b> | <b>21,029</b>            | <b>31,625</b>            | <b>16,859</b>              | <b>9,100</b>               |
| Change in trade and other receivables                                 | (25,126)                 | 876                      | 231,725                    | 158,933                    |
| Change in land, developments and trading properties                   | 82,801                   | 3,789                    | 45                         | (45)                       |
| Change in trade and other payables                                    | (6,917)                  | (9,338)                  | (119,118)                  | (77,095)                   |
| <b>Cash inflows generated from operations</b>                         | <b>71,787</b>            | <b>26,952</b>            | <b>129,511</b>             | <b>90,893</b>              |
| Finance costs                                                         | (45,537)                 | (33,041)                 | (9,935)                    | (7,972)                    |
| Finance income                                                        | 162                      | 1,413                    | 106                        | 4,177                      |
| Tax paid                                                              | 6                        | (3,392)                  | -                          | (3,341)                    |
|                                                                       | (45,369)                 | (35,020)                 | (9,829)                    | (7,136)                    |
| <b>Cash flows from operating activities</b>                           | <b>26,418</b>            | <b>(8,068)</b>           | <b>119,682</b>             | <b>83,757</b>              |
| <b>Cash flows from investing activities</b>                           |                          |                          |                            |                            |
| Additions to investment property                                      | (95,821)                 | (59,310)                 | -                          | -                          |
| Sale of investment property                                           | 337,570                  | 156,254                  | -                          | -                          |
| Investment in joint ventures and subsidiaries                         | (5,403)                  | -                        | (47,700)                   | (57,187)                   |
| Proceeds from sale of subsidiaries                                    | -                        | -                        | 22,538                     | -                          |
| Dividends from joint ventures                                         | 671                      | 1,580                    | -                          | -                          |
| Receipts/(purchases) in respect of available-for-sale assets          | 1,385                    | (238)                    | -                          | -                          |
| Sale of plant and equipment                                           | -                        | 178                      | -                          | 178                        |
| Purchase of owner occupied property, plant and equipment              | (73)                     | (442)                    | (73)                       | (309)                      |
| <b>Net cash generated from/(used by) investing activities</b>         | <b>238,329</b>           | <b>98,022</b>            | <b>(25,235)</b>            | <b>(57,318)</b>            |
| <b>Cash flows from financing activities</b>                           |                          |                          |                            |                            |
| Borrowings drawn down                                                 | 94,196                   | 41,986                   | -                          | -                          |
| Borrowings repaid                                                     | (356,670)                | (102,887)                | (80,000)                   | -                          |
| Shares issued                                                         | 4                        | -                        | -                          | -                          |
| Sale/(purchase) of own shares                                         | 521                      | (944)                    | -                          | -                          |
| Equity dividends paid                                                 | (10,195)                 | (3,566)                  | (10,195)                   | (3,566)                    |
| <b>Net cash used by financing activities</b>                          | <b>(272,144)</b>         | <b>(65,411)</b>          | <b>(90,195)</b>            | <b>(3,566)</b>             |
| <b>Net (decrease)/increase in cash and cash equivalents</b>           | <b>(7,397)</b>           | <b>24,543</b>            | <b>4,252</b>               | <b>22,873</b>              |
| Exchange gains on cash and cash equivalents                           | 6                        | 49                       | -                          | -                          |
| Cash and cash equivalents at start of year                            | 99,262                   | 74,670                   | 59,098                     | 36,225                     |
| <b>Cash and cash equivalents at end of year</b>                       | <b>91,871</b>            | <b>99,262</b>            | <b>63,350</b>              | <b>59,098</b>              |

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

At 31 March 2018

| Group                                 | Share capital<br>£000 | Share premium<br>£000 | Revaluation reserve<br>£000 | Capital redemption reserve<br>£000 | Other reserves<br>£000 | Retained earnings<br>£000 | Own shares held<br>£000 | Total<br>£000 |
|---------------------------------------|-----------------------|-----------------------|-----------------------------|------------------------------------|------------------------|---------------------------|-------------------------|---------------|
| At 31 March 2016                      | 1,447                 | 98,798                | 143,699                     | 7,478                              | 291                    | 229,008                   | -                       | 480,721       |
| Total comprehensive income            | -                     | -                     | -                           | -                                  | -                      | 39,172                    | -                       | 39,172        |
| Revaluation surplus                   | -                     | -                     | 39,152                      | -                                  | -                      | (39,152)                  | -                       | -             |
| Realised on disposals                 | -                     | -                     | (18,661)                    | -                                  | -                      | 18,661                    | -                       | -             |
| Performance share plan                | -                     | -                     | -                           | -                                  | -                      | 1,672                     | -                       | 1,672         |
| Performance share plan - deferred tax | -                     | -                     | -                           | -                                  | -                      | (2,062)                   | -                       | (2,062)       |
| Share settled bonus                   | -                     | -                     | -                           | -                                  | -                      | 1,904                     | -                       | 1,904         |
| Dividends paid                        | -                     | -                     | -                           | -                                  | -                      | (3,566)                   | -                       | (3,566)       |
| Purchase of own shares                | -                     | -                     | -                           | -                                  | -                      | -                         | (944)                   | (944)         |
| Own shares held reserve transfer      | -                     | -                     | -                           | -                                  | -                      | (944)                     | 944                     | -             |
| At 31 March 2017                      | 1,447                 | 98,798                | 164,190                     | 7,478                              | 291                    | 244,693                   | -                       | 516,897       |
| Total comprehensive income            | -                     | -                     | -                           | -                                  | -                      | 26,270                    | -                       | 26,270        |
| Revaluation surplus                   | -                     | -                     | 23,848                      | -                                  | -                      | (23,848)                  | -                       | -             |
| Realised on disposals                 | -                     | -                     | (25,285)                    | -                                  | -                      | 25,285                    | -                       | -             |
| Issued share capital                  | 4                     | -                     | -                           | -                                  | -                      | -                         | -                       | 4             |
| Performance share plan                | -                     | -                     | -                           | -                                  | -                      | 1,185                     | -                       | 1,185         |
| Performance share plan - deferred tax | -                     | -                     | -                           | -                                  | -                      | (55)                      | -                       | (55)          |
| Share settled bonus                   | -                     | -                     | -                           | -                                  | -                      | (733)                     | -                       | (733)         |
| Dividends paid                        | -                     | -                     | -                           | -                                  | -                      | (10,195)                  | -                       | (10,195)      |
| Sale of own shares                    | -                     | -                     | -                           | -                                  | -                      | -                         | 521                     | 521           |
| Own shares held reserve transfer      | -                     | -                     | -                           | -                                  | -                      | 521                       | (521)                   | -             |
| At 31 March 2018                      | 1,451                 | 98,798                | 162,753                     | 7,478                              | 291                    | 263,123                   | -                       | 533,894       |

For a breakdown of total comprehensive income see the Consolidated Statement of Comprehensive Income.

The adjustment against retained earnings of £1,185,000 (31 March 2017: £1,672,000) adds back the share-based payments charge of £1,388,000 in accordance with IFRS 2 - *Share Based Payments* and reflects the impact of awards settled in cash in the year of £203,000.

There were net transactions with owners of £9,273,000 (31 March 2017: £2,996,000) made up of the performance share plan credit of £1,185,000 (31 March 2017: £1,672,000) and related deferred tax charge of £55,000 (31 March 2017: £2,062,000), dividends paid of £10,195,000 (31 March 2017: £3,566,000); the transaction in own shares credit of £521,000 (31 March 2017: charge of £944,000), issued share capital of £4,000 (31 March 2017: Nil) and the share settled bonus charge of £733,000 (31 March 2017: credit of £1,904,000).

| Company                    | Share capital<br>£000 | Share premium<br>£000 | Capital redemption reserve<br>£000 | Other reserves<br>£000 | Retained earnings<br>£000 | Total<br>£000 |
|----------------------------|-----------------------|-----------------------|------------------------------------|------------------------|---------------------------|---------------|
| At 31 March 2016           | 1,447                 | 98,798                | 7,478                              | 1,987                  | 117,405                   | 227,115       |
| Total comprehensive income | -                     | -                     | -                                  | -                      | 6,045                     | 6,045         |
| Dividends paid             | -                     | -                     | -                                  | -                      | (3,566)                   | (3,566)       |
| At 31 March 2017           | 1,447                 | 98,798                | 7,478                              | 1,987                  | 119,884                   | 229,594       |
| Total comprehensive income | -                     | -                     | -                                  | -                      | (42,977)                  | (42,977)      |
| Issued share capital       | 4                     | -                     | -                                  | -                      | -                         | 4             |
| Dividends paid             | -                     | -                     | -                                  | -                      | (10,195)                  | (10,195)      |
| At 31 March 2018           | 1,451                 | 98,798                | 7,478                              | 1,987                  | 66,712                    | 176,426       |

Total comprehensive income is made up of the loss after tax of £42,977,000 (2017: profit of £6,045,000).

Included within changes in equity are net transactions with owners of £10,191,000 (2017: £3,566,000) being dividends paid of £10,195,000 (31 March 2017: £3,566,000) and issued share capital of £4,000 (31 March 2017: Nil).

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 assets, convertible bonds and derivative financial instruments. The measurement bases and principal accounting policies of the Group are set out in note 37. These accounting policies are consistent with those applied in the year to 31 March 2017, as amended to reflect any new standards. Amendments to standards and interpretations which are mandatory for the year ended 31 March 2018 are detailed below:

- Amendments to IAS 7 – *Statement of Cash Flows* (effective for periods beginning on or after 1 January 2017); and
- Amendments IAS 12 – *Income Taxes* (effective for periods beginning on or after 1 January 2017).

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

- IFRS 9 – *Financial Instruments* (effective for periods beginning on or after 1 January 2018);
- IFRS 15 – *Revenue from Contracts with Customers* (effective for periods beginning on or after 1 January 2018);
- IFRS 16 – *Leases* (effective for periods beginning on or after 1 January 2019); and
- Amendments to IAS 40 – *Transfers of Investment Property* (effective for periods beginning on or after 1 January 2018).

The Group has assessed the impact of the new standards noted above and concluded that, with the exception of IFRS 16, discussed below, their adoption in future periods will not have a material impact on the financial statements of the Group other than as a result of the change in disclosure requirements. From the Group's initial assessment of the impact of IFRS 16, it believes adoption will result in the recognition of a £7,262,000 lease asset and liability on the Consolidated and Company Balance Sheets.

## NOTES TO THE FINANCIAL STATEMENTS

### 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, and pre-sold developments.

|                             | Investment and trading<br>Year ended<br>31.03.18<br>£000 | Developments<br>Year ended<br>31.03.18<br>£000 | Total<br>Year ended<br>31.03.18<br>£000 | Investment and trading<br>Year ended<br>31.03.17<br>£000 | Developments<br>Year ended<br>31.03.17<br>£000 | Total<br>Year ended<br>31.03.17<br>£000 |
|-----------------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------|
| <b>Revenue</b>              |                                                          |                                                |                                         |                                                          |                                                |                                         |
| Rental income               | 40,157                                                   | -                                              | 40,157                                  | 48,835                                                   | -                                              | 48,835                                  |
| Development property income | -                                                        | 125,678                                        | 125,678                                 | -                                                        | 49,994                                         | 49,994                                  |
| Other revenue               | 138                                                      | -                                              | 138                                     | 1,105                                                    | -                                              | 1,105                                   |
| <b>Revenue</b>              | <b>40,295</b>                                            | <b>125,678</b>                                 | <b>165,973</b>                          | <b>49,940</b>                                            | <b>49,994</b>                                  | <b>99,934</b>                           |

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 the sale of goods of £108,369,000 (2017: £42,513,000), revenue from other income £138,000 (2017: £1,105,000), revenue from services of £17,309,000 (2017: £7,481,000), and rental income of £40,157,000 (2017: £48,835,000).

|                                                          | Investment and trading<br>Year ended<br>31.03.18<br>£000 | Developments<br>Year ended<br>31.03.18<br>£000 | Total<br>Year ended<br>31.03.18<br>£000 | Investment and trading<br>Year ended<br>31.03.17<br>£000 | Developments<br>Year ended<br>31.03.17<br>£000 | Total<br>Year ended<br>31.03.17<br>£000 |
|----------------------------------------------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------|
| <b>Profit before tax</b>                                 |                                                          |                                                |                                         |                                                          |                                                |                                         |
| Net rental income                                        | 36,329                                                   | -                                              | 36,329                                  | 46,213                                                   | (51)                                           | 46,162                                  |
| Development property (loss)/profit                       | -                                                        | (4,174)                                        | (4,174)                                 | -                                                        | 843                                            | 843                                     |
| Share of results of joint ventures                       | 5,135                                                    | (1,939)                                        | 3,196                                   | (2,049)                                                  | (4,479)                                        | (6,528)                                 |
| Gain on sale and revaluation of investment properties    | 37,415                                                   | -                                              | 37,415                                  | 40,543                                                   | -                                              | 40,543                                  |
|                                                          | 78,879                                                   | (6,113)                                        | 72,766                                  | 84,707                                                   | (3,687)                                        | 81,020                                  |
| Fair value movement of available-for-sale assets         |                                                          |                                                | 1,385                                   |                                                          |                                                | (3,352)                                 |
| Other operating income                                   |                                                          |                                                | 111                                     |                                                          |                                                | 982                                     |
| Gross profit                                             |                                                          |                                                | 74,262                                  |                                                          |                                                | 78,650                                  |
| Administrative expenses                                  |                                                          |                                                | (12,765)                                |                                                          |                                                | (18,372)                                |
| Finance costs                                            |                                                          |                                                | (37,438)                                |                                                          |                                                | (25,598)                                |
| Finance income                                           |                                                          |                                                | 4,303                                   |                                                          |                                                | 3,156                                   |
| Change in fair value of derivative financial instruments |                                                          |                                                | 4,029                                   |                                                          |                                                | 789                                     |
| Change in fair value of Convertible Bond                 |                                                          |                                                | (1,559)                                 |                                                          |                                                | 2,973                                   |
| Foreign exchange loss                                    |                                                          |                                                | (10)                                    |                                                          |                                                | (3)                                     |
| <b>Profit before tax</b>                                 |                                                          |                                                | <b>30,822</b>                           |                                                          |                                                | <b>41,595</b>                           |

|                                              | Investment and trading<br>31.03.18<br>£000 | Developments<br>31.03.18<br>£000 | Total<br>31.03.18<br>£000 | Investment and trading<br>31.03.17<br>£000 | Developments<br>31.03.17<br>£000 | Total<br>31.03.17<br>£000 |
|----------------------------------------------|--------------------------------------------|----------------------------------|---------------------------|--------------------------------------------|----------------------------------|---------------------------|
| <b>Net assets</b>                            |                                            |                                  |                           |                                            |                                  |                           |
| Investment properties                        | 791,948                                    | -                                | 791,948                   | 987,560                                    | -                                | 987,560                   |
| Land, development and trading properties     | 28                                         | 6,014                            | 6,042                     | 28                                         | 86,652                           | 86,680                    |
| Investment in joint ventures                 | 12,352                                     | 15,457                           | 27,809                    | 1,814                                      | 18,068                           | 19,882                    |
|                                              | 804,328                                    | 21,471                           | 825,799                   | 989,402                                    | 104,720                          | 1,094,122                 |
| Owner occupied property, plant and equipment |                                            |                                  | 1,825                     |                                            |                                  | 2,124                     |
| Derivative financial instrument              |                                            |                                  | 123                       |                                            |                                  | -                         |
| Trade and other receivables                  |                                            |                                  | 100,757                   |                                            |                                  | 73,925                    |
| Corporation tax receivable                   |                                            |                                  | 3,736                     |                                            |                                  | 3,320                     |
| Cash and cash equivalents                    |                                            |                                  | 91,871                    |                                            |                                  | 99,262                    |
| <b>Total assets</b>                          |                                            |                                  | <b>1,024,111</b>          |                                            |                                  | <b>1,272,753</b>          |
| Liabilities                                  |                                            |                                  | (490,217)                 |                                            |                                  | (755,856)                 |
| <b>Net assets</b>                            |                                            |                                  | <b>533,894</b>            |                                            |                                  | <b>516,897</b>            |

All non-current assets are derived from the Group's UK operations except for owner occupied property, plant and equipment with a net book value of £5,000 (31 March 2017: £18,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 3. NET RENTAL INCOME

|                                                        | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|--------------------------------------------------------|-------------------------------|-------------------------------|
| Gross rental income                                    | 40,157                        | 48,835                        |
| Rents payable                                          | (144)                         | (68)                          |
| Property overheads                                     | (3,549)                       | (2,283)                       |
| Net rental income                                      | 36,464                        | 46,484                        |
| Net rental income attributable to profit share partner | (135)                         | (322)                         |
| Net rental income                                      | 36,329                        | 46,162                        |

Property overheads include lettings costs, vacancy costs and bad debt provisions. The amounts above include gross rental income from investment properties of £40,157,000 (2017: £48,835,000) and net rental income from investment properties of £36,327,000 (2017: £46,213,000).

### 4. DEVELOPMENT PROPERTY (LOSS)/PROFIT

|                                    | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|------------------------------------|-------------------------------|-------------------------------|
| Development property income        | 125,678                       | 49,994                        |
| Cost of sales                      | (125,085)                     | (37,576)                      |
| Sales expenses                     | (2,554)                       | (5,275)                       |
| Provision against book values      | (2,213)                       | (6,300)                       |
| Development property (loss)/profit | (4,174)                       | 843                           |

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

|                                                           | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|-----------------------------------------------------------|-------------------------------|-------------------------------|
| Net proceeds from the sale of investment properties       | 341,911                       | 156,939                       |
| Book value (note 14)                                      | (324,002)                     | (154,863)                     |
| Tenants incentives on sold investment properties          | (4,342)                       | (685)                         |
| Gain on sale of investment properties                     | 13,567                        | 1,391                         |
| Revaluation surplus on investment properties              | 23,848                        | 39,152                        |
| Net gain on sale and revaluation of investment properties | 37,415                        | 40,543                        |

### 6. ADMINISTRATIVE EXPENSES

|                                                                                                         | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|---------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Administrative expenses                                                                                 | 12,765                        | 18,372                        |
| Operating profit is stated after the following items that are contained within administrative expenses: |                               |                               |
| Depreciation                                                                                            |                               |                               |
| Owner occupied property, plant and equipment                                                            | 291                           | 391                           |
| Share-based payments charge                                                                             | 1,388                         | 1,672                         |
| Auditor's remuneration:                                                                                 |                               |                               |
| Audit fees                                                                                              |                               |                               |
| Payable to the Company's auditor for the audit of Parent Company and consolidated financial statements  | 170                           | 199                           |
| Payable to the Company's auditor for the audit of Company's subsidiaries                                | 84                            | 120                           |
| Audit related assurance services                                                                        | 58                            | 52                            |
| Tax advisory services                                                                                   | -                             | 14                            |
| Other non audit services                                                                                | 19                            | 4                             |
| Operating lease costs                                                                                   | 1,201                         | 1,131                         |

# NOTES TO THE FINANCIAL STATEMENTS

## 7. STAFF COSTS

|                              | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|------------------------------|-------------------------------|-------------------------------|
| Staff costs during the year: |                               |                               |
| Wages and salaries           | 5,214                         | 10,473                        |
| Social security costs        | 882                           | 1,396                         |
| Other pension costs          | 198                           | 201                           |
|                              | 6,294                         | 12,070                        |

Details of the remuneration of Directors amounting to £5,468,000 are included in the Directors' Remuneration Report on pages 76 to 93. The amount of the share-based payments charge relating to share awards made to Directors is £921,000 (2017: £1,171,000). Included within wages and salaries are Directors' bonuses of £2,060,000 (2017: £4,051,000) as discussed in the Directors' Remuneration Report on pages 76 to 93.

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 36 (2017: 65) of which 32 are UK head office staff, two are other UK staff and two are based in Poland.

Of the staff costs of £6,294,000 (2017: £12,070,000), £6,124,000 is included within administrative expenses (2017: £11,612,000) and £170,000 is included within development costs (2017: £458,000).

Within administrative costs is the share-based payment charge for the year of £1,388,000 (2017: £1,672,000) which is not included in the staff costs above.

## 8. FINANCE COSTS AND FINANCE INCOME

|                                                      | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|------------------------------------------------------|-------------------------------|-------------------------------|
| Interest payable on bank loans, bonds and overdrafts | (26,873)                      | (28,586)                      |
| Retail Bond redemption premium                       | (8,708)                       | -                             |
| Other interest payable and similar charges           | (7,053)                       | (4,913)                       |
| Interest capitalised                                 | 5,196                         | 7,901                         |
| Finance costs                                        | (37,438)                      | (25,598)                      |
| Interest receivable and similar income               | 4,303                         | 3,156                         |
| Finance income                                       | 4,303                         | 3,156                         |

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 3.19% (2017: 3.26%). 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 4.19% (2017: 4.19%).

# NOTES TO THE FINANCIAL STATEMENTS

## 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                                    | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|--------------------------------------------------------------------|-------------------------------|-------------------------------|
| The tax credit is based on the profit for the year and represents: |                               |                               |
| United Kingdom corporation tax at 19% (2017: 20%)                  |                               |                               |
| Group corporation tax                                              | (831)                         | -                             |
| Adjustment in respect of prior periods                             | 1,253                         | 1,521                         |
| Overseas tax                                                       | -                             | 2                             |
| Current tax credit                                                 | 422                           | 1,523                         |
| Deferred tax                                                       |                               |                               |
| Capital allowances                                                 | 709                           | (1,023)                       |
| Tax losses                                                         | (5,478)                       | (4,347)                       |
| Unrealised chargeable gains                                        | 2,525                         | 1,803                         |
| Other timing differences                                           | (2,715)                       | (427)                         |
| Deferred tax charge                                                | (4,959)                       | (3,994)                       |
| Total tax charge for the year                                      | (4,537)                       | (2,471)                       |

### Factors Affecting the Tax Charge for the Year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK.

The differences are explained below:

|                                                                                                           | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|-----------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Profit on ordinary activities before tax                                                                  | 30,822                        | 41,595                        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%) | (5,856)                       | (8,319)                       |
| Effect of:                                                                                                |                               |                               |
| Net (expenses)/income not (deductible)/taxable for tax purposes                                           | (650)                         | 699                           |
| Adjustment to capital allowances - disposals                                                              | 1,544                         | (203)                         |
| Tax movements on share awards                                                                             | 8                             | 1,189                         |
| Movement on tax losses not previously recognised in deferred tax                                          | -                             | (1,855)                       |
| Operating profit/(loss) of joint ventures                                                                 | 607                           | (1,306)                       |
| Prior year adjustment                                                                                     | -                             | 1,521                         |
| Movement on sale and revaluation not recognised through deferred tax                                      | 5,732                         | 6,864                         |
| Chargeable gain in excess of profit or loss on investment property                                        | (568)                         | (375)                         |
| Overseas tax                                                                                              | -                             | (151)                         |
| Loss on disposal of retirement villages                                                                   | (5,354)                       | -                             |
| Other timing differences                                                                                  | -                             | (578)                         |
| Effect of change of rate of corporation tax                                                               | -                             | 43                            |
| Total tax charge for the year                                                                             | (4,537)                       | (2,471)                       |

Note: all deferred tax balances have been calculated at an effective rate of corporation tax of 19% which is the average of the substantively enacted future rates for the periods in which the deferred tax is expected to be realised.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. DEFERRED TAX

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

|                                       | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|---------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Deferred tax</b>                   |                          |                          |                            |                            |
| Capital allowances                    | (2,260)                  | (2,969)                  | (137)                      | (71)                       |
| Tax losses                            | 2,696                    | 8,174                    | 420                        | 983                        |
| Unrealised chargeable (gains)/losses  | (19,806)                 | (22,331)                 | 281                        | 192                        |
| Other timing differences              | 2,586                    | 5,301                    | -                          | -                          |
| <b>Deferred tax (liability)/asset</b> | <b>(16,784)</b>          | <b>(11,825)</b>          | <b>564</b>                 | <b>1,104</b>               |

Under IAS 12, deferred tax provisions are made for the tax that would potentially be payable on the realisation of investment properties and other assets at book value. Other timing differences include deferred tax assets arising from the recognition of the fair value of derivative financial instruments and future tax relief available to the Group from capital allowances and when share awards vest. A debit of £55,000 (2017: £2,062,000) in respect of future tax relief for share awards has been recognised in reserves in accordance with IAS 12.

The Group contains entities with tax losses for which no deferred tax asset is recognised. The total unrecognised losses amount to approximately £6,597,000 (2017: £10,621,000). 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 £2,260,000 (2017: £2,969,000) would be released and further capital allowances of £40,921,000 (2017: £31,390,000) would be available to reduce future tax liabilities.

The net deferred tax asset in respect of other timing differences arises from tax relief available to the Group on the mark-to-market valuation of financial instruments, the future vesting of share awards and other timing differences.

### 11. DIVIDENDS PAID AND PAYABLE

|                                                     | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|-----------------------------------------------------|-------------------------------|-------------------------------|
| <b>Attributable to equity share capital</b>         |                               |                               |
| Ordinary                                            |                               |                               |
| Interim paid 2.50p per share (2017: 2.40p)          | 2,934                         | 2,743                         |
| Prior year final paid 6.20p per share (2016: 0.72p) | 7,261                         | 823                           |
|                                                     | <b>10,195</b>                 | <b>3,566</b>                  |

A final dividend of 7.00p, if approved at the AGM on 12 July 2018, will be paid on 20 July 2018 to Shareholders on the register on 15 June 2018. This final dividend, amounting to £8,303,000, has not been included as a liability as at 31 March 2018, in accordance with IFRS.

### 12. 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 loss for the year of the Company was £42,977,000 (2017: profit of £6,045,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 13. 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 Helical Employees' Share Ownership Plan Trust (the "ESOP"), which has waived its entitlement to receive dividends, are treated as cancelled for the purpose of this calculation.

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

The EPRA earnings per share is calculated in accordance with IAS 33 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<br>31.3.18<br>000 | Year ended<br>31.3.17<br>000 |
|------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Ordinary shares in issue                                                                       | 118,611                      | 118,196                      |
| Weighting adjustment                                                                           | (997)                        | (3,110)                      |
| Weighted average ordinary shares in issue for calculation of basic and EPRA earnings per share | 117,614                      | 115,086                      |
| Weighted average ordinary shares issued on share settled bonuses                               | 920                          | 1,402                        |
| Weighted average ordinary shares to be issued under Performance Share Plan                     | 478                          | 1,403                        |
| Weighted average ordinary shares in issue for calculation of diluted earnings per share        | 119,012                      | 117,891                      |
|                                                                                                | £000                         | £000                         |
| Earnings used for calculation of basic and diluted earnings per share                          | 26,285                       | 39,124                       |
| Basic earnings per share                                                                       | 22.3p                        | 34.0p                        |
| Diluted earnings per share                                                                     | 22.1p                        | 33.2p                        |
|                                                                                                | £000                         | £000                         |
| Earnings used for calculation of basic and diluted earnings per share                          | 26,285                       | 39,124                       |
| Net (gain)/loss on sale and revaluation of investment properties                               | - subsidiaries<br>(37,415)   | (40,543)                     |
|                                                                                                | - joint ventures<br>(3,317)  | 1,929                        |
| Tax on profit on disposal of investment properties                                             | 3,931                        | 420                          |
| Gain on movement in share of joint ventures                                                    | (1,693)                      | -                            |
| Fair value movement on derivative financial instruments                                        | - subsidiaries<br>(4,029)    | (789)                        |
|                                                                                                | - joint ventures<br>(7)      | 42                           |
| Fair value movement on Convertible Bond                                                        | 1,559                        | (2,973)                      |
| Profit on cancellation of derivative financial instruments                                     | (1,756)                      | -                            |
| Expense on cancellation of loans                                                               | 2,296                        | -                            |
| Retail Bond redemption premium                                                                 | 8,708                        | -                            |
| Fair value movement of available-for-sale assets                                               | (1,385)                      | 3,352                        |
| Deferred tax on adjusting items                                                                | (1,431)                      | (37)                         |
| (Loss)/earnings used for calculation of EPRA earnings per share                                | (8,254)                      | 525                          |
| EPRA (loss)/earnings per share                                                                 | (7.0)p                       | 0.5p                         |

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

### 14. INVESTMENT PROPERTIES

|                                                                     | Freehold<br>31.3.18<br>£000 | Leasehold<br>31.3.18<br>£000 | Total<br>31.3.18<br>£000 | Freehold<br>31.3.17<br>£000 | Leasehold<br>31.3.17<br>£000 | Total<br>31.3.17<br>£000 |
|---------------------------------------------------------------------|-----------------------------|------------------------------|--------------------------|-----------------------------|------------------------------|--------------------------|
| <b>Group</b>                                                        |                             |                              |                          |                             |                              |                          |
| Book value at 1 April                                               | 873,595                     | 113,965                      | 987,560                  | 920,015                     | 115,018                      | 1,035,033                |
| Additions and transfers at cost                                     | 85,476                      | 15,566                       | 101,042                  | 51,366                      | 17,412                       | 68,778                   |
| Disposals                                                           | (264,172)                   | (59,830)                     | (324,002)                | (131,862)                   | (23,001)                     | (154,863)                |
| Revaluation surplus                                                 | 19,918                      | 3,930                        | 23,848                   | 34,616                      | 4,536                        | 39,152                   |
| Revaluation surplus/(deficit) attributable to profit share partners | -                           | 3,500                        | 3,500                    | (540)                       | -                            | (540)                    |
| Book value at 31 March                                              | 714,817                     | 77,131                       | 791,948                  | 873,595                     | 113,965                      | 987,560                  |

## NOTES TO THE FINANCIAL STATEMENTS

Investment properties are stated at fair value as at 31 March 2018 as follows:

| Group                                                              | Freehold<br>31.3.18<br>£000 | Leasehold<br>31.3.18<br>£000 | Total<br>31.3.18<br>£000 | Freehold<br>31.3.17<br>£000 | Leasehold<br>31.3.17<br>£000 | Total<br>31.3.17<br>£000 |
|--------------------------------------------------------------------|-----------------------------|------------------------------|--------------------------|-----------------------------|------------------------------|--------------------------|
| Book value at 31 March                                             | 714,817                     | 77,131                       | 791,948                  | 873,595                     | 113,965                      | 987,560                  |
| Lease incentives and costs included in trade and other receivables | 11,183                      | 1,192                        | 12,375                   | 15,430                      | 10                           | 15,440                   |
| Head leases capitalised                                            | -                           | (2,189)                      | (2,189)                  | -                           | -                            | -                        |
| Fair value at 31 March                                             | 726,000                     | 76,134                       | 802,134                  | 889,025                     | 113,975                      | 1,003,000                |

Interest capitalised during the year in respect of the refurbishment of investment properties amounted to £3,661,000 (2017: £4,401,000).

Interest capitalised in respect of the refurbishment of investment properties is included in investment properties to the extent of £9,057,000 (31 March 2017: £10,972,000).

Investment properties with a total fair value of £705,500,000 (31 March 2017: £993,900,000) 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 2018 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, ie as prices, or indirectly, ie 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.

### Valuation Methodology

The fair value of the Group's investment property as at 31 March 2018 was determined by independent external valuers at that date, except for investment properties valued by the Directors. The valuations are in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards ("The Red Book") and the International Valuation Standards 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.

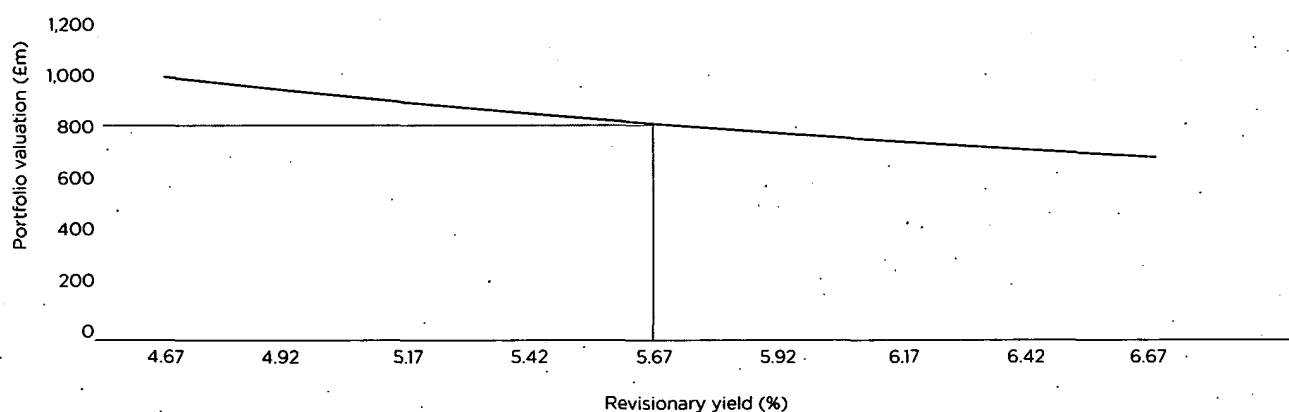
The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties. The valuation output, along with inputs and assumptions, are reviewed to ensure these are in line with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

The reversionary yield is the return received from an asset once the estimated rental value has been captured on today's assessment of market value.

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 40.

The graph below illustrates the sensitivity of the value of the investment portfolio to the reversionary yield.



## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENT PROPERTIES CONTINUED

The investment properties have been valued at 31 March 2018 as follows:

|                         | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|-------------------------|--------------------------|--------------------------|
| Cushman & Wakefield LLP | 790,550                  | 1,002,850                |
| Directors' valuation    | 11,584                   | 150                      |
|                         | 802,134                  | 1,003,000                |

The historical cost of investment property is £622,226,000 (31 March 2017: £822,161,000).

### 15. 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<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|--------------------------------------------------|--------------------------|--------------------------|
| Not later than one year                          | 27,827                   | 46,191                   |
| Later than one year but not more than five years | 79,698                   | 135,557                  |
| More than five years                             | 52,032                   | 104,018                  |
|                                                  | 159,557                  | 285,766                  |

The Company has no operating lease arrangements as lessor.

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                                                  | 31.3.18<br>£000 | 31.3.17<br>£000 |
|--------------------------------------------------|-----------------|-----------------|
| Group and Company                                |                 |                 |
| Not later than one year                          | 818             | 818             |
| Later than one year but not more than five years | 3,273           | 3,273           |
| More than five years                             | 4,500           | 5,319           |
|                                                  | 8,591           | 9,410           |

### 16. OWNER OCCUPIED PROPERTY, PLANT AND EQUIPMENT

| Group                       | Short<br>leasehold<br>improvements<br>31.3.18<br>£000 | Plant and<br>equipment<br>31.3.18<br>£000 | Total<br>31.3.18<br>£000 | Short<br>leasehold<br>improvements<br>31.3.17<br>£000 | Plant and<br>equipment<br>31.3.17<br>£000 | Total<br>31.3.17<br>£000 |
|-----------------------------|-------------------------------------------------------|-------------------------------------------|--------------------------|-------------------------------------------------------|-------------------------------------------|--------------------------|
| Cost at 1 April             | 2,073                                                 | 1,203                                     | 3,276                    | 2,106                                                 | 1,012                                     | 3,118                    |
| Additions at cost           | -                                                     | 73                                        | 73                       | -                                                     | 442                                       | 442                      |
| Disposals                   | (8)                                                   | (122)                                     | (130)                    | (33)                                                  | (251)                                     | (284)                    |
| Cost at 31 March            | 2,065                                                 | 1,154                                     | 3,219                    | 2,073                                                 | 1,203                                     | 3,276                    |
| Depreciation at 1 April     | 404                                                   | 748                                       | 1,152                    | 257                                                   | 661                                       | 918                      |
| Provision for the year      | 144                                                   | 147                                       | 291                      | 147                                                   | 244                                       | 391                      |
| Eliminated on disposals     | (10)                                                  | (39)                                      | (49)                     | -                                                     | (157)                                     | (157)                    |
| Depreciation at 31 March    | 538                                                   | 856                                       | 1,394                    | 404                                                   | 748                                       | 1,152                    |
| Net book amount at 31 March | 1,527                                                 | 298                                       | 1,825                    | 1,669                                                 | 455                                       | 2,124                    |

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

All short leasehold improvements and plant and equipment relate to the Company except for plant and equipment with a net book value of £5,000 as at 31 March 2018 (31 March 2017: £85,000).

### 17. INVESTMENT IN SUBSIDIARIES

|                             | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| At 1 April                  | -                        | -                        | 125,399                    | 68,212                     |
| Additions                   | -                        | -                        | 105,006                    | 57,187                     |
| Written off during the year | -                        | -                        | (6,556)                    | -                          |
| Disposals                   | -                        | -                        | (57,921)                   | -                          |
| At 31 March                 | -                        | -                        | 165,928                    | 125,399                    |

A list of all the Company's subsidiary undertakings, all of which have been consolidated, are shown in note 38 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. INVESTMENT IN JOINT VENTURES

|                                                                   | Investment<br>and trading<br>31.3.18<br>£000 | Development<br>31.3.18<br>£000 | Total<br>31.3.18<br>£000 | Investment<br>and trading<br>31.3.17<br>£000 | Development<br>31.3.17<br>£000 | Total<br>31.3.17<br>£000 |
|-------------------------------------------------------------------|----------------------------------------------|--------------------------------|--------------------------|----------------------------------------------|--------------------------------|--------------------------|
| <b>Summarised consolidated income statements</b>                  |                                              |                                |                          |                                              |                                |                          |
| Revenue                                                           | -                                            | 189                            | 189                      | 5                                            | 926                            | 931                      |
| Gross rental income                                               | -                                            | 189                            | 189                      | 5                                            | 926                            | 931                      |
| Property overheads                                                | (53)                                         | (359)                          | (412)                    | (52)                                         | (48)                           | (100)                    |
| Net rental income                                                 | (53)                                         | (170)                          | (223)                    | (47)                                         | 878                            | 831                      |
| Development profit/(loss)                                         | 3                                            | (1,942)                        | (1,939)                  | (3)                                          | (32)                           | (35)                     |
| Loss on sale of investment property                               | -                                            | -                              | -                        | (54)                                         | -                              | (54)                     |
| Gain/(loss) on revaluation of investment properties               | 3,439                                        | (122)                          | 3,317                    | (1,872)                                      | (3)                            | (1,875)                  |
| Provision against book value of development stock                 | -                                            | (1,880)                        | (1,880)                  | -                                            | (6,524)                        | (6,524)                  |
| Other operating income/(expense)                                  | 10                                           | (41)                           | (31)                     | (176)                                        | (942)                          | (1,118)                  |
| Gross profit/(loss)                                               | 3,399                                        | (4,155)                        | (756)                    | (2,152)                                      | (6,623)                        | (8,775)                  |
| Administrative expenses                                           | (43)                                         | (425)                          | (468)                    | (130)                                        | (208)                          | (338)                    |
| Operating profit/(loss)                                           | 3,356                                        | (4,580)                        | (1,224)                  | (2,282)                                      | (6,831)                        | (9,113)                  |
| Interest payable on bank loans and overdrafts                     | (21)                                         | (3)                            | (24)                     | (2)                                          | -                              | (2)                      |
| Other interest payable and similar charges                        | -                                            | (2,012)                        | (2,012)                  | -                                            | -                              | -                        |
| Finance income                                                    | 12                                           | 4                              | 16                       | 113                                          | 1,120                          | 1,233                    |
| Change in fair value movement of derivative financial instruments | (1)                                          | 8                              | 7                        | (3)                                          | (39)                           | (42)                     |
| <b>Profit/(loss) before tax</b>                                   | <b>3,346</b>                                 | <b>(6,583)</b>                 | <b>(3,237)</b>           | <b>(2,174)</b>                               | <b>(5,750)</b>                 | <b>(7,924)</b>           |
| Tax                                                               | 95                                           | 1,160                          | 1,255                    | 123                                          | 1,273                          | 1,396                    |
| <b>Profit/(loss) after tax</b>                                    | <b>3,441</b>                                 | <b>(5,423)</b>                 | <b>(1,982)</b>           | <b>(2,051)</b>                               | <b>(4,477)</b>                 | <b>(6,528)</b>           |
| Reversal of Creechurch loss <sup>1</sup>                          | -                                            | 3,485                          | 3,485                    | -                                            | -                              | -                        |
| Uplift for Barts Square economic interest <sup>2</sup>            | 1,693                                        | -                              | 1,693                    | -                                            | -                              | -                        |
| <b>Share of results of joint ventures</b>                         | <b>5,134</b>                                 | <b>(1,938)</b>                 | <b>3,196</b>             | <b>(2,051)</b>                               | <b>(4,477)</b>                 | <b>(6,528)</b>           |
| <b>Summarised balance sheets</b>                                  |                                              |                                |                          |                                              |                                |                          |
| <b>Non-current assets</b>                                         |                                              |                                |                          |                                              |                                |                          |
| Investment properties                                             | 21,133                                       | 1,490                          | 22,623                   | 12,417                                       | 1,490                          | 13,907                   |
| Owner occupied property, plant and equipment                      | -                                            | 39                             | 39                       | -                                            | 30                             | 30                       |
| Deferred tax                                                      | 309                                          | 2,762                          | 3,071                    | 174                                          | 1,637                          | 1,811                    |
| Derivative financial instruments                                  | -                                            | 59                             | 59                       | 1                                            | 51                             | 52                       |
|                                                                   | 21,442                                       | 4,350                          | 25,792                   | 12,592                                       | 3,208                          | 15,800                   |
| <b>Current assets</b>                                             |                                              |                                |                          |                                              |                                |                          |
| Land, development and trading properties                          | -                                            | 76,474                         | 76,474                   | -                                            | 89,115                         | 89,115                   |
| Trade and other receivables                                       | 384                                          | 5,725                          | 6,109                    | 260                                          | 1,067                          | 1,327                    |
| Cash and cash equivalents                                         | 4,074                                        | 7,716                          | 11,790                   | 3,550                                        | 6,195                          | 9,745                    |
|                                                                   | 4,458                                        | 89,915                         | 94,373                   | 3,810                                        | 96,377                         | 100,187                  |
| <b>Current liabilities</b>                                        |                                              |                                |                          |                                              |                                |                          |
| Trade and other payables                                          | (933)                                        | (17,733)                       | (18,666)                 | (747)                                        | (16,952)                       | (17,699)                 |
|                                                                   | (933)                                        | (17,733)                       | (18,666)                 | (747)                                        | (16,952)                       | (17,699)                 |
| <b>Non-current liabilities</b>                                    |                                              |                                |                          |                                              |                                |                          |
| Trade and other payables                                          | (2,231)                                      | (25,421)                       | (27,652)                 | -                                            | (23,124)                       | (23,124)                 |
| Borrowings                                                        | (10,384)                                     | (39,139)                       | (49,523)                 | (6,172)                                      | (49,110)                       | (55,282)                 |
|                                                                   | (12,615)                                     | (64,560)                       | (77,175)                 | (6,172)                                      | (72,234)                       | (78,406)                 |
| <b>Net assets pre-adjustments</b>                                 | <b>12,352</b>                                | <b>11,972</b>                  | <b>24,324</b>            | <b>9,483</b>                                 | <b>10,399</b>                  | <b>19,882</b>            |
| Reversal of Creechurch net liability position <sup>1</sup>        | -                                            | 3,485                          | 3,485                    | -                                            | -                              | -                        |
| <b>Net assets</b>                                                 | <b>12,352</b>                                | <b>15,457</b>                  | <b>27,809</b>            | <b>9,483</b>                                 | <b>10,399</b>                  | <b>19,882</b>            |

<sup>1</sup> This is an adjustment that has been made to add back the Group's share of the loss incurred in one of its joint ventures arising from finance and other costs in the year to ensure the Group's interest is shown at its recoverable amount.

<sup>2</sup> This is an adjustment to reflect the impact of the consolidation of a joint venture at its economic interest of 43.8% rather than its actual ownership interest of 33.3%.

The Directors' valuation of trading and development stock shows a surplus of £1,700,000 (31 March 2017: £7,500,000) above book value.

Dividends of £672,000 were received from joint venture companies during the year (2017: £1,580,000). The joint venture companies are private companies, therefore no quoted market prices are available for their shares.

The cost of the Company's investment in joint ventures was £15,000 (31 March 2017: £15,000).

The Group has one material joint venture (31 March 2017: one). The full results and position of this joint venture is set out overleaf, of which we have included our share in the above table.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. INVESTMENT IN JOINT VENTURES CONTINUED

|                                                                   | Barts LP Group<br>31.03.18<br>£000 | Barts LP Group<br>31.03.17<br>£000 |
|-------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b>Summarised income statement</b>                                |                                    |                                    |
| Revenue                                                           | 34                                 | 828                                |
| Gross rental income                                               | 34                                 | 828                                |
| Property overheads                                                | (622)                              | (238)                              |
| Net rental income                                                 | (588)                              | 590                                |
| Development loss                                                  | (3,193)                            | (6,240)                            |
| Gain/(loss) on revaluation of investment properties               | 7,573                              | (4,281)                            |
| Provision against book values                                     | (4,292)                            | -                                  |
| Other operating expense                                           | (45)                               | (967)                              |
| Administrative expenses                                           | (348)                              | (499)                              |
| Finance costs                                                     | (54)                               | -                                  |
| Finance income                                                    | 33                                 | 551                                |
| Change in fair value movement of derivative financial instruments | 16                                 | (96)                               |
| Loss before tax                                                   | (898)                              | (10,942)                           |
| Tax                                                               | 754                                | 1,501                              |
| Loss after tax                                                    | (144)                              | (9,441)                            |
| <b>Summarised balance sheet</b>                                   |                                    |                                    |
| <b>Non-current assets</b>                                         |                                    |                                    |
| Investment properties                                             | 51,650                             | 31,750                             |
| Owner occupied property, plant and equipment                      | 90                                 | 69                                 |
| Deferred tax                                                      | 3,397                              | 2,430                              |
| Derivative financial instruments                                  | 135                                | 118                                |
|                                                                   | 55,272                             | 34,367                             |
| <b>Current assets</b>                                             |                                    |                                    |
| Land, development and trading properties                          | 130,849                            | 158,648                            |
| Trade and other receivables                                       | 11,502                             | 2,428                              |
| Cash and cash equivalents                                         | 21,206                             | 17,339                             |
|                                                                   | 163,557                            | 178,415                            |
| <b>Current liabilities</b>                                        |                                    |                                    |
| Trade and other payables                                          | (41,524)                           | (38,385)                           |
|                                                                   | (41,524)                           | (38,385)                           |
| <b>Non-current liabilities</b>                                    |                                    |                                    |
| Borrowings                                                        | (113,065)                          | (126,214)                          |
|                                                                   | (113,065)                          | (126,214)                          |
| <b>Net assets</b>                                                 | <b>64,240</b>                      | <b>48,183</b>                      |

At 31 March 2018 the Group and the Company had legal interests in the following joint venture companies:

|                                                | Country of<br>Incorporation | Class of share<br>capital held | Proportion<br>held Group | Proportion<br>held Company | Nature of<br>business |
|------------------------------------------------|-----------------------------|--------------------------------|--------------------------|----------------------------|-----------------------|
| Barts, L.P.                                    | United States               | n/a                            | 33%                      | -                          | Investment            |
| Barts Close Office Limited                     | Jersey                      | Ordinary                       | 33%                      | -                          | Investment            |
| Barts Square First Office Limited              | Jersey                      | Ordinary                       | 33%                      | -                          | Investment            |
| Barts Square Active One Limited                | Jersey                      | Ordinary                       | 33%                      | -                          | Investment            |
| Barts Square First Limited                     | United Kingdom              | Ordinary                       | 33%                      | -                          | Development           |
| Barts Square Land One Limited                  | United Kingdom              | Ordinary                       | 33%                      | -                          | Development           |
| OBC Development Management Limited             | United Kingdom              | Ordinary                       | 33%                      | -                          | Development           |
| Old Street Holdings LP                         | Jersey                      | n/a                            | 33%                      | -                          | Investment            |
| Abbeygate Helical (Leisure Plaza) Limited      | 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) Limited | United Kingdom              | Ordinary                       | 50%                      | -                          | Development           |
| Helical Grainger Limited                       | United Kingdom              | Ordinary                       | 50%                      | -                          | Development           |
| Helical Grainger Holdings Limited              | United Kingdom              | Ordinary                       | 50%                      | -                          | Development           |
| Creechurch Place Limited                       | Jersey                      | Ordinary                       | 10%                      | -                          | Development           |

## NOTES TO THE FINANCIAL STATEMENTS

### Significant Judgements and Estimates

There are a number of companies which are accounted for as joint ventures where the Group has an equity interest of less than 50%. This typically occurs where the Group's joint venture partner is providing a greater share of finance into the Company, with the Group contributing a greater share towards the day to day management of the underlying project. In these cases neither party has control over the entity and therefore it is considered appropriate to account for our interest as a joint venture.

Under the Barts Square joint venture agreement the Group is entitled to varying returns dependent upon the performance of the development. Whilst the Group holds a 33.3% legal share in the Barts Square group, it has accounted for its share at 43.8% to reflect its expected economic interest in the joint venture.

Under the Creechurch Place joint venture arrangement, whilst the Group holds a legal share of 10% of Creechurch Place Limited, a third party acquired the right to step in to take 20% of the Group's share of the effective economic interest, ie 2%. Therefore, the Group reflects this in the share of joint venture that it accounts for at 8%.

### 19. LAND, DEVELOPMENTS AND TRADING PROPERTIES

| Group                               | Development properties<br>31.3.18<br>£000 | Trading stock<br>31.3.18<br>£000 | Total<br>31.3.18<br>£000 | Development properties<br>31.3.17<br>£000 | Trading stock<br>31.3.17<br>£000 | Total<br>31.3.17<br>£000 |
|-------------------------------------|-------------------------------------------|----------------------------------|--------------------------|-------------------------------------------|----------------------------------|--------------------------|
| At 1 April                          | 86,652                                    | 28                               | 86,680                   | 92,007                                    | 28                               | 92,035                   |
| Acquisitions and construction costs | 36,640                                    | -                                | 36,640                   | 32,828                                    | -                                | 32,828                   |
| Interest capitalised                | 2,188                                     | -                                | 2,188                    | 3,500                                     | -                                | 3,500                    |
| Disposals                           | (118,426)                                 | -                                | (118,426)                | (35,383)                                  | -                                | (35,383)                 |
| Provision                           | (1,040)                                   | -                                | (1,040)                  | (6,300)                                   | -                                | (6,300)                  |
| At 31 March                         | 6,014                                     | 28                               | 6,042                    | 86,652                                    | 28                               | 86,680                   |

The Directors' valuation of trading and development stock shows a surplus of £628,000 (31 March 2017: £5,014,000) above book value.

Total interest to date in respect of the development of sites is included in stock to the extent of £nil (31 March 2017: £11,178,000). Interest capitalised during the year in respect of development sites amounted to £2,188,000 (31 March 2017: £3,500,000) relating to assets which were sold during the year.

Land, developments and trading properties with carrying values totalling £nil (31 March 2017: £79,007,000) were held as security against borrowings.

The Company had £nil (31 March 2017: £45,000) of land, developments or trading properties.

### 20. AVAILABLE-FOR-SALE ASSETS

| Fair value  | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|-------------|--------------------------|--------------------------|
| At 1 April  | -                        | 3,114                    |
| Additions   | -                        | 248                      |
| Movement    | 1,385                    | (3,352)                  |
| Disposals   | (1,385)                  | (10)                     |
| At 31 March | -                        | -                        |

The fair value of the Group's Level 3 (IFRS 13 - *Fair Value Hierarchy*) available-for-sale asset has been determined by assessing the expected future consideration receivable from this asset, as the value cannot be derived from observable market data. The fair value of the asset is sensitive only to potential sales proceeds.

The gain of £1,385,000 (2017: loss of £3,352,000) recognised in the year is the result of cash received in relation to a previously fully impaired asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. TRADE AND OTHER RECEIVABLES

|                                              | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|----------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Due within 1 year</b>                     |                          |                          |                            |                            |
| Trade receivables                            | 35,883                   | 12,836                   | -                          | 117                        |
| Amounts owed by joint venture undertakings   | 28,193                   | 25,665                   | -                          | -                          |
| Amounts owed by subsidiary undertakings      | -                        | -                        | 341,144                    | 654,181                    |
| Other receivables                            | 1,890                    | 1,797                    | 27,078                     | 508                        |
| Prepayments and accrued income               | 34,791                   | 33,627                   | 850                        | 410                        |
|                                              | 100,757                  | 73,925                   | 369,072                    | 655,216                    |
| <b>Receivables</b>                           |                          |                          |                            |                            |
| Fully performing                             | 98,132                   | 72,400                   | 368,222                    | 654,806                    |
| Past due < 3 months                          | 1,408                    | 756                      | -                          | -                          |
| Past due > 3 months                          | 255                      | 104                      | -                          | -                          |
| Total receivables being financial assets     | 99,795                   | 73,260                   | 368,222                    | 654,806                    |
| Total receivables being non-financial assets | 962                      | 665                      | 850                        | 410                        |
| Total receivables                            | 100,757                  | 73,925                   | 369,072                    | 655,216                    |

Past due receivables not impaired relate to a number of independent customers for whom there is no recent history of default. Against trade receivables, Helical held £5,167,000 of rental deposits at 31 March 2018 (31 March 2017: £4,823,000).

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

|                                                          | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|----------------------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Gross receivables being financial assets                 | 99,818                   | 73,291                   | 368,222                    | 654,806                    |
| Provisions for receivables impairment                    | (23)                     | (31)                     | -                          | -                          |
| Net receivables being financial assets                   | 99,795                   | 73,260                   | 368,222                    | 654,806                    |
| Receivables written off during the year as uncollectable | 22                       | 3                        | -                          | -                          |

### 22. CASH AND CASH EQUIVALENTS

|                                                | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|------------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Rent deposits and cash held at managing agents | 5,371                    | 4,046                    | -                          | -                          |
| Restricted cash                                | 2,713                    | 12,111                   | -                          | -                          |
| Cash deposits                                  | 83,787                   | 83,105                   | 63,350                     | 59,098                     |
|                                                | 91,871                   | 99,262                   | 63,350                     | 59,098                     |

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

### 23. TRADE AND OTHER PAYABLES

|                                          | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Trade payables                           | 11,175                   | 12,197                   | 849                        | 204                        |
| Social security costs and other taxation | 1,321                    | 2,535                    | -                          | -                          |
| Amounts owed to subsidiary undertakings  | -                        | -                        | 318,463                    | 434,671                    |
| Other payables                           | 311                      | 487                      | -                          | -                          |
| Accruals                                 | 32,735                   | 33,008                   | 3,913                      | 4,036                      |
| Deferred income                          | 5,836                    | 8,122                    | -                          | -                          |
|                                          | 51,378                   | 56,349                   | 323,225                    | 438,911                    |

# NOTES TO THE FINANCIAL STATEMENTS

## 24. BORROWINGS

|                              | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Current borrowings           | -                        | 2,517                    | -                          | -                          |
| Borrowings repayable within: |                          |                          |                            |                            |
| one to two years             | 272,501                  | 4,150                    | 98,694                     | -                          |
| two to three years           | -                        | 304,641                  | -                          | 94,196                     |
| three to four years          | -                        | 215,667                  | -                          | 79,408                     |
| four to five years           | 21,878                   | 1,053                    | -                          | -                          |
| five to six years            | -                        | 73,353                   | -                          | -                          |
| six to ten years             | 122,613                  | 72,320                   | -                          | -                          |
| Non-current borrowings       | 416,992                  | 671,184                  | 98,694                     | 173,604                    |
| Total borrowings             | 416,992                  | 673,701                  | 98,694                     | 173,604                    |

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 book value of £694,423,000 (31 March 2017: £1,057,417,000). 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 £49,523,000 (31 March 2017: £55,282,000).

### Convertible Bond

On 17 June 2014 the Group issued £100m of convertible bonds at par with a 4% coupon rate which are due for settlement on 17 June 2019 (the "Bonds"). The Bonds can be converted from 28 July 2014 up to and including 7 July 2017, if the share price has traded at a level exceeding 130% of the conversion price for a specified period, and from 8 July 2017 to (but excluding) the seventh dealing day before 17 June 2019 at any time. On conversion, the Group can elect to settle the Bonds by any combination of ordinary shares and cash. The Convertible Bond is included at its fair value of £101,333,000 (31 March 2017: £99,774,000) in borrowings repayable within one to two years.

### Retail Bond

On 24 June 2013 the Group issued an £80m fixed rate retail bond at 6% pa and with a maturity date of 24 June 2020. On 2 March 2018 the Retail Bond was repaid resulting in an early redemption charge of £8,708,000 recognised in the Income Statement at 31 March 2018. At 31 March 2018 the Retail Bond was included at its amortised cost of £nil (31 March 2017: £79,408,000).

## 25. FINANCING AND DERIVATIVE FINANCIAL INSTRUMENTS

The policies for dealing with liquidity and interest rate risk are noted in the Principal Risks Review on pages 48 to 53.

|                              | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|------------------------------|--------------------------|--------------------------|
| Borrowings maturity          |                          |                          |
| Due after more than one year | 416,992                  | 671,184                  |
| Due within one year          | -                        | 2,517                    |
|                              | 416,992                  | 673,701                  |

The Group has various undrawn committed borrowing facilities. The facilities available at 31 March 2018 in respect of which all conditions precedent had been met were as follows:

|                                                                | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|----------------------------------------------------------------|--------------------------|--------------------------|
| Expiring in one year or less                                   | 10,000                   | 10,000                   |
| Expiring in more than one year but not more than two years     | 77,285                   | -                        |
| Expiring in more than two years but not more than three years  | -                        | 86,666                   |
| Expiring in more than three years but not more than four years | -                        | 18,622                   |
| Expiring in more than four years but not more than five years  | 77,326                   | -                        |
| Expiring in more than five years                               | -                        | 26,630                   |
|                                                                | 164,611                  | 141,918                  |

## NOTES TO THE FINANCIAL STATEMENTS

### 25. FINANCING AND DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

| Interest rates – Group                    | %            | Expiry          | 31.3.18<br>£000 | %            | Expiry          | 31.3.17<br>£000 |
|-------------------------------------------|--------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Fixed rate borrowings:                    |              |                 |                 |              |                 |                 |
| swap rate plus bank margin                | -            | -               | -               | 4.070        | Oct 2017        | 41,700          |
| swap rate plus bank margin                | -            | -               | -               | 3.770        | May 2018        | 10,800          |
| fixed rate Convertible Bond               | 4.000        | Jun 2019        | 100,000         | 4.000        | Jun 2019        | 100,000         |
| swap rate plus bank margin                | -            | -               | -               | 4.070        | Jul 2019        | 30,000          |
| swap rate plus bank margin                | 3.650        | Nov 2019        | 105,000         | 3.650        | Nov 2019        | 105,000         |
| swap rate plus bank margin                | 5.650        | Nov 2019        | 44,500          | 5.650        | Nov 2019        | 44,500          |
| fixed rate Retail Bond                    | -            | -               | -               | 6.000        | Jun 2020        | 80,000          |
| swap rate plus bank margin                | -            | -               | -               | 3.715        | Aug 2020        | 13,000          |
| swap rate plus bank margin                | -            | -               | -               | 4.025        | Aug 2020        | 72,508          |
| swap rate plus bank margin                | 3.850        | Apr 2022        | 50,000          | 3.850        | Apr 2022        | 75,000          |
| fixed rate in excess of loan balance      | (2.372)      | Apr 2022        | (27,227)        | -            | -               | -               |
| fixed rate plus margin                    | 3.480        | Dec 2024        | 71,000          | 3.480        | Dec 2024        | 79,120          |
| fixed rate plus margin                    | 3.210        | Dec 2024        | 22,000          | -            | -               | -               |
| Weighted average                          | 4.052        | Mar 2021        | 365,274         | 4.222        | Aug 2020        | 651,628         |
| Floating rate borrowings                  | 6.991        | Sep 2022        | 54,115          | 8.946        | Dec 2020        | 29,313          |
| Unamortised finance costs                 |              |                 | (3,730)         |              |                 | (7,014)         |
| Fair value adjustment of Convertible Bond |              |                 | 1,333           |              |                 | (226)           |
| <b>Total borrowings</b>                   | <b>4.432</b> | <b>Jun 2021</b> | <b>416,992</b>  | <b>4.425</b> | <b>Nov 2020</b> | <b>673,701</b>  |

Floating rate borrowings bear interest at rates based on LIBOR.

At 31 March 2018 the Company had no interest rate swaps (31 March 2017: nil). During the year, 21 interest rate swaps were terminated, one interest rate swap expired and a further interest rate swap was reduced from £75,000,000 to £50,000,000. Interest is fixed on the Convertible Bond as shown above, with the remaining borrowings being at floating rates.

In addition to the above, the Group has a £50,000,000 interest rate swap at 1.865% starting in January 2020 and expiring in June 2026.

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

| Instrument – Group | Value<br>£000 | Rate<br>% | Start                    | Expiry                   |
|--------------------|---------------|-----------|--------------------------|--------------------------|
| Current:           |               |           |                          |                          |
| cap                | 15,000        | 0.750     | Jun 2016                 | Nov 2019                 |
| Net Gearing        |               |           |                          |                          |
|                    |               |           | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
| Total borrowings   |               |           | 416,992                  | 673,701                  |
| Cash               |               |           | (91,871)                 | (99,262)                 |
| Net borrowings     |               |           | 325,121                  | 574,439                  |

Net borrowings excludes the Group's share of borrowings in joint ventures of £49,523,000 (31 March 2017: £55,282,000) and cash of £11,790,000 (31 March 2017: £9,745,000). All borrowings in joint ventures are secured.

|            | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 |
|------------|--------------------------|--------------------------|
| Net assets | 533,894                  | 516,897                  |
| Gearing    | 61%                      | 111%                     |

## NOTES TO THE FINANCIAL STATEMENTS

### 26. LONG LEASEHOLD LIABILITY

Finance lease obligations in respect of the Group's leasehold properties are payable as follows:

|                                                  | Minimum lease payments<br>31.3.18<br>£000 | Interest<br>31.3.18<br>£000 | Present value of minimum lease payments<br>31.3.18<br>£000 | Minimum lease payments<br>31.3.17<br>£000 | Interest<br>31.3.17<br>£000 | Present value of minimum lease payments<br>31.3.17<br>£000 |
|--------------------------------------------------|-------------------------------------------|-----------------------------|------------------------------------------------------------|-------------------------------------------|-----------------------------|------------------------------------------------------------|
| Not later than one year                          | 104                                       | (5)                         | 99                                                         | -                                         | -                           | -                                                          |
| Later than one year but not more than five years | 416                                       | (62)                        | 354                                                        | -                                         | -                           | -                                                          |
| More than five years                             | 15,600                                    | (13,864)                    | 1,736                                                      | -                                         | -                           | -                                                          |
|                                                  | 16,120                                    | (13,931)                    | 2,189                                                      | -                                         | -                           | -                                                          |

The long leasehold liability relates to ground rents payable in respect of the head lease at 25 Charterhouse Square, London EC1.

### 27. SHARE CAPITAL

|            | 31.3.18<br>£000 | 31.3.17<br>£000 |
|------------|-----------------|-----------------|
| Authorised | 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.

|                                                                     | 31.3.18<br>£000 | 31.3.17<br>£000 |
|---------------------------------------------------------------------|-----------------|-----------------|
| Allotted, called up and fully paid:                                 |                 |                 |
| 118,610,741 (31 March 2017: 118,196,215) ordinary shares of 1p each | 1,186           | 1,182           |
| 212,145,300 deferred shares of 1/8p each                            | 265             | 265             |
|                                                                     | 1,451           | 1,447           |

|                 | Shares In Issue<br>31.3.18<br>Number | Share capital<br>31.3.18<br>£000 | Shares In Issue<br>31.3.17<br>Number | Share capital<br>31.3.17<br>£000 |
|-----------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Ordinary shares | 118,610,741                          | 1,186                            | 118,196,215                          | 1,182                            |
| Deferred shares | 212,145,300                          | 265                              | 212,145,300                          | 265                              |

#### Capital Management

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, share premium, retained earnings, revaluation reserve and other reserves (2018: £526,416,000, 2017: £509,419,000). The Group continually monitors its gearing level to ensure that it is appropriate. Gearing decreased from 111% to 61% in the year as the Group repaid debt from the proceeds of sale of property.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. SHARE OPTIONS

At 31 March 2018 and 31 March 2017 there were no 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 2017: none).

### 29. SHARE-BASED PAYMENTS

The Group provides share-based payments to employees in the form of Performance Share Plan (PSP) awards and a Share Incentive Plan. The Company uses a combination of the Black-Scholes and stochastic valuation models and the resulting value is amortised through the Consolidated Income Statement over the vesting period of the share-based payments.

| Performance Share Plan awards    | Awards      | 2018 Weighted average award value | Awards      | 2017 Weighted average award value |
|----------------------------------|-------------|-----------------------------------|-------------|-----------------------------------|
| Outstanding at beginning of year | 4,743,684   | 320p                              | 6,557,616   | 284p                              |
| Awards vested during year        | (1,235,491) | 295p                              | (2,779,914) | 235p                              |
| Awards lapsed during the year    | (1,186,942) | 315p                              | (396,874)   | 332p                              |
| Awards made during the year      | 1,413,247   | 271p                              | 1,362,856   | 322p                              |
| Outstanding at end of year       | 3,734,498   | 313p                              | 4,743,684   | 320p                              |

The PSP awards outstanding at 31 March 2018 had a weighted average remaining contractual life of one year and three months.

The fair value of the awards made in the year to 31 March 2018 was £3,835,000 (2017: £4,391,000).

The inputs into the Black-Scholes and stochastic models of valuation of the PSP awards made in the year to 31 March 2018 were as follows:

|                                 | 2018    | 2017    | 2016    |
|---------------------------------|---------|---------|---------|
| Weighted average share price    | 320.0p  | 391.5p  | 413.5p  |
| Weighted average exercise price | -       | -       | -       |
| Expected volatility             | 28.3%   | 21.6%   | 25.7%   |
| Expected life                   | 3 years | 3 years | 3 years |
| Risk free rate                  | 0.08%   | 0.40%   | 0.79%   |
| Expected dividends              | 0.00%   | 0.00%   | 0.00%   |

The Group recognised a charge of £1,388,000 (2017: £1,672,000) during the year in relation to share-based payments.

Volatility is measured by calculating the standard deviation of the natural logarithm of share price movements for the period prior to the date of grant which is commensurate with the remaining length of the performance period.

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 Employees' Share Ownership Plan Trust (the "ESOP") to be used as part of the remuneration arrangements for employees. The purpose of the ESOP was 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 ESOP sold its entire holding of 163,000 shares for £521,000 in March 2018.

The ESOP purchases shares in the Company to satisfy the Company's obligations under its Share Option Scheme and Performance Share Plan. Nil shares (2017: 254,000) in the Company were purchased during the year at a cost of £nil (2017: £944,000).

At 31 March 2018 the ESOP held nil ordinary shares in Helical plc (31 March 2017: 1,262,000).

At 31 March 2018 awards over 3,734,000 (31 March 2017: 4,744,000) ordinary shares in Helical plc, made under the terms of the Performance Share Plan, were outstanding.

### 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.

There were no other contingent liabilities at 31 March 2018 for the Group or the Company (31 March 2017: £nil).

### 32. CAPITAL COMMITMENTS

The Group has a commitment of £63,143,000 (31 March 2017: £69,830,000) in relation to construction contracts, which are due to be completed in the year to 31 March 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. NET ASSETS PER SHARE

|                                                    | 31.3.18<br>£000 | Number<br>of shares<br>000 | 31.3.18<br>pence<br>per share |
|----------------------------------------------------|-----------------|----------------------------|-------------------------------|
| Net asset value                                    | 533,894         | 118,611                    |                               |
| Less: own shares held by ESOP                      |                 |                            |                               |
| deferred shares                                    | (265)           |                            |                               |
| Basic net asset value                              | 533,629         | 118,611                    | 450                           |
| Add: share settled bonus                           |                 | 920                        |                               |
| Add: dilutive effect of the Performance Share Plan |                 | 478                        |                               |
| Diluted net asset value                            | 533,629         | 120,009                    | 445                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of financial instruments                | 2,692           |                            |                               |
| fair value movement on Convertible Bond            | 1,333           |                            |                               |
| deferred tax                                       | 21,662          |                            |                               |
| Adjusted diluted net asset value                   | 559,316         | 120,009                    | 466                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of trading and development properties   | 2,328           |                            |                               |
| EPRA net asset value                               | 561,644         | 120,009                    | 468                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of financial instruments                | (2,692)         |                            |                               |
| deferred tax                                       | (21,662)        |                            |                               |
| EPRA triple net asset value                        | 537,290         | 120,009                    | 448                           |

The adjustment for the fair value of trading and development properties represents the surplus of fair value over carrying value as at 31 March 2018.

|                                                    | 31.3.17<br>£000 | Number<br>of shares<br>000 | 31.3.17<br>pence<br>per share |
|----------------------------------------------------|-----------------|----------------------------|-------------------------------|
| Net asset value                                    | 516,897         | 118,196                    |                               |
| Less: own shares held by ESOP                      |                 | (1,262)                    |                               |
| deferred shares                                    | (265)           |                            |                               |
| Basic net asset value                              | 516,632         | 116,934                    | 442                           |
| Add: share settled bonus                           |                 | 1,402                      |                               |
| Add: dilutive effect of the Performance Share Plan |                 | 1,410                      |                               |
| Diluted net asset value                            | 516,632         | 119,746                    | 431                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of financial instruments                | 13,929          |                            |                               |
| fair value movement on Convertible Bond            | (226)           |                            |                               |
| deferred tax                                       | 23,124          |                            |                               |
| Adjusted diluted net asset value                   | 553,459         | 119,746                    | 462                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of trading and development properties   | 12,514          |                            |                               |
| EPRA net asset value                               | 565,973         | 119,746                    | 473                           |
| Adjustment for:                                    |                 |                            |                               |
| fair value of financial instruments                | (13,929)        |                            |                               |
| deferred tax                                       | (23,124)        |                            |                               |
| EPRA triple net asset value                        | 528,920         | 119,746                    | 442                           |

The net asset values per share have been calculated in accordance with guidance issued by the European Public Real Estate Association ("EPRA").

The adjustments to the net asset value comprise the amounts relating to the Group and its share of joint ventures.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. RELATED PARTY TRANSACTIONS

At 31 March 2018 and 31 March 2017 the following amounts were due from/(to) the Group's joint ventures.

|                                                | 31.3.18<br>£000 | 31.3.17<br>£000 |
|------------------------------------------------|-----------------|-----------------|
| King Street Developments (Hammersmith) Limited | 9,916           | 8,162           |
| Shirley Advance LLP                            | 249             | 503             |
| Barts Square companies                         | (9)             | (13)            |
| Helical Sosnica Sp. zoo                        | -               | 1,126           |
| Old Street Holdings LP                         | 3               | 3               |
| Creechurch Place Limited                       | 18,035          | 15,883          |

In the year, interest on bonds of £1,590,000 (2017: £1,331,000) was charged by the Group to Creechurch Place Limited. In addition, a development management fee of £1,924,000 (2017: £1,412,000) was charged by the Group to the Barts Square companies.

At 31 March 2018 and 31 March 2017 there were the following balances between the Company and its subsidiaries.

|                               | 31.3.18<br>£000 | 31.3.17<br>£000 |
|-------------------------------|-----------------|-----------------|
| Amounts due from subsidiaries | 341,144         | 654,181         |
| Amounts due to subsidiaries   | 318,463         | 434,671         |

During the years to 31 March 2018 and 31 March 2017 there were the following transactions between the Company and its subsidiaries:

|                               | 31.3.18<br>£000 | 31.3.17<br>£000 |
|-------------------------------|-----------------|-----------------|
| Management charges receivable | 6,721           | 6,831           |
| Interest receivable           | 2,887           | 2,306           |
| Interest payable              | 3,986           | 3,904           |

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 21. Amounts owed to subsidiaries by the Company are identified in note 23.

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

|                                                 | 31.3.18<br>£000 | 31.3.17<br>£000 |
|-------------------------------------------------|-----------------|-----------------|
| Salaries and other short-term employee benefits | 3,808           | 5,721           |
| Share-based payments                            | 2,386           | 2,870           |
|                                                 | 6,194           | 8,591           |

The total dividends paid to Directors of the Group in the year were £1,381,737 (2017: £466,000).

During the year purchases of Enil (2017: £20,000) 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 and available-for-sale 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.

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:

|                                       | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|---------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Financial assets                      |                          |                          |                            |                            |
| Loans and receivables                 | 191,666                  | 172,522                  | 431,572                    | 715,648                    |
| Fair value through the Profit or Loss | 123                      | -                        | -                          | -                          |
| Total financial assets                | 191,789                  | 172,522                  | 431,572                    | 715,648                    |

# NOTES TO THE FINANCIAL STATEMENTS

These financial assets are included in the Balance Sheet within the following headings:

|                             | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Trade and other receivables | 99,795                   | 73,260                   | 368,222                    | 656,550                    |
| Cash and cash equivalents   | 91,871                   | 99,262                   | 63,350                     | 59,098                     |
| Derivative financial asset  | 123                      | -                        | -                          | -                          |
| Total financial assets      | 191,789                  | 172,522                  | 431,572                    | 715,648                    |

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

For the fair value of available-for-sale assets see note 20. 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.

|                                                     | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-----------------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Financial liabilities</b>                        |                          |                          |                            |                            |
| Fair value through the Profit or Loss               | 3,721                    | 14,941                   | 2,404                      | 2,551                      |
| Designated at Fair value through the Profit or Loss | 101,333                  | 99,774                   | -                          | -                          |
| Measured at amortised cost                          | 361,223                  | 621,193                  | 421,919                    | 612,515                    |
| Total financial liabilities                         | 466,277                  | 735,908                  | 424,323                    | 615,066                    |

The Convertible Bond has been designated at fair value through the profit or loss. The change in fair value of the Convertible Bond is wholly attributable to changes in market conditions. If Bondholders do not exercise their conversion right, the obligation is settled by a cash payment of £100,000,000. The difference between the carrying amount of £101,333,000 and this settlement amount is an additional liability of £1,333,000.

The financial liabilities are included in the Balance Sheet within the following headings:

|                                  | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|----------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Trade and other payables         | 44,222                   | 48,226                   | 323,225                    | 438,911                    |
| Borrowings - current             | -                        | 2,517                    | -                          | -                          |
| Borrowings - non-current         | 416,992                  | 671,184                  | 98,694                     | 173,604                    |
| Long leasehold liability         | 2,189                    | -                        | -                          | -                          |
| Derivative financial instruments | 2,874                    | 13,981                   | 2,404                      | 2,551                      |
| Total financial liabilities      | 466,277                  | 735,908                  | 424,323                    | 615,066                    |

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.

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 three 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; and
- Level 3: values cannot be derived from observable market data.

Assets and liabilities measured at fair value are classified as below:

- Level 1** Convertible Bond (note 24)
- Level 2** Derivative financial instruments (note 35)
- Level 3** Available-for-sale asset (note 20)  
Investment property (note 14)

There were no transfers between categories in the current or prior year.

|                                         | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-----------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| <b>Derivative financial instruments</b> |                          |                          |                            |                            |
| Interest rate caps                      | 123                      | -                        | -                          | -                          |
| Interest rate swaps                     | (2,874)                  | (13,981)                 | -                          | -                          |
| Convertible Bond derivative element     | -                        | -                        | (2,404)                    | (2,551)                    |
|                                         | (2,751)                  | (13,981)                 | (2,404)                    | (2,551)                    |

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL INSTRUMENTS CONTINUED

The Group's movement in the fair value of the derivative financial instruments in the year was a gain of £4,029,000 (2017: £789,000) due to interest rate caps and swaps. In accordance with IAS 39, the convertible bond is split into a loan and derivative element in the Company Balance Sheet. On initial recognition the derivative element had a value of £8,190,000. At 31 March 2018, the derivative element had a value of £2,404,000 (31 March 2017: £2,551,000) with a corresponding gain of £146,000 (2017: £4,583,000) recognised in the Income Statement. The Company's interest rate swaps were novated to a subsidiary company during the prior year.

#### 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 2018 the Group had total credit risk exposure excluding cash of £99,795,000, all of which is loans and receivables. The cash is held with reputable banking institutions and in client accounts with solicitors and managing agents and therefore credit risk is considered low.

All other debtors are deemed to be recoverable.

All Company debtors are considered to be fully 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 21.

#### 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 24 and 25.

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

|                                     | Group<br>31.3.18<br>£000 | Group<br>31.3.17<br>£000 | Company<br>31.3.18<br>£000 | Company<br>31.3.17<br>£000 |
|-------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Payable within 3 months             | 31,373                   | 42,722                   | 324,426                    | 441,308                    |
| Payable between 3 months and 1 year | 30,048                   | 31,259                   | 3,412                      | 7,220                      |
| Payable between 1 and 3 years       | 294,609                  | 356,708                  | 21,982                     | 111,119                    |
| Payable after 3 years               | 164,700                  | 383,217                  | 86,363                     | 86,663                     |
| Total contracted liabilities        | 520,730                  | 813,906                  | 436,183                    | 646,310                    |

At 31 March 2018 the Group had £164,611,000 (31 March 2017: £141,918,000) of undrawn borrowing facilities, £104,564,000 (31 March 2017: £16,847,000) of uncharged property assets and cash balances of £91,871,000 (2017: £99,262,000). The above contracted liabilities assume that no loans are extended beyond their current facility expiry date. 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 25.

In the year to 31 March 2018, 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<br>Impact<br>on results<br>31.3.18<br>£000 | Group<br>equity<br>Impact<br>31.3.18<br>£000 | Company<br>Impact<br>on results<br>31.3.18<br>£000 | Company<br>equity<br>Impact<br>31.3.18<br>£000 |
|----------------------------------------------------|--------------------------------------------------|----------------------------------------------|----------------------------------------------------|------------------------------------------------|
| 0.5% increase - increase in net results and equity | 4,220                                            | 4,220                                        | 166                                                | 166                                            |
| 0.5% decrease - decrease in net results and equity | 4,297                                            | 4,297                                        | (166)                                              | (166)                                          |

#### Foreign Currency Exchange Risk

The Group and Company have no material exposure to movements in foreign currency rates.

## NOTES TO THE FINANCIAL STATEMENTS

### 36. POST BALANCE SHEET EVENTS

In April 2018 the Group completed its acquisition of the long leasehold of the Over Station Development of Farringdon East, London EC1 with an initial payment of £13,000,000 and a deferred payment of £10,800,000 due April 2020. In addition, it exchanged contracts for the sale of its office building in Reading for its book value of £8,300,000.

### 37. PRINCIPAL ACCOUNTING POLICIES

#### Basis of Consolidation

The Group financial statements consolidate those of Helical plc (the "Company") and all of its subsidiary undertakings (together the "Group") drawn up to 31 March 2018. Subsidiary undertakings are entities for which the Group is exposed to variable returns and has the ability to control those returns. 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, where both parties are exposed to variable returns but neither has control over those returns. They 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 ("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.

The Consolidated Financial Statements are presented in sterling which is also the functional currency of the Parent Company.

#### Going Concern

The accounts have been prepared on a going concern basis as explained in the Governance Review on pages 68 to 71.

#### 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 Group'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 and payment of the consideration for these services are contingent upon a future event (such as sale of the property) and if the fair value of the consideration can be reliably estimated, the Group recognises this income as its services are performed, discounting for time and risk if appropriate.

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 76 to 93. 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. The Group uses a combination of the Black-Scholes and stochastic valuation models and the resulting value is amortised through the Income Statement over the vesting period of the share-based payments.

For the Performance Share Plan and Share Incentive Plan awards, where market conditions apply, the expense is allocated to the Income Statement evenly over the vesting period.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. PRINCIPAL ACCOUNTING POLICIES CONTINUED

#### 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 5 Hanöver Square, London W1S 1HQ 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 timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing 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 timing 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 timing differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the timing difference; and,
- it is probable that the timing 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 subsequently at fair value adjusted for the carrying value of lease incentive and letting cost receivables. 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 14.

#### 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 assets 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 an impairment, or reversal of an impairment, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 IAS 39. Embedded derivatives contained within the borrowing agreements are treated in accordance with IAS 39, which includes consideration of whether embedded derivatives require bifurcation. The Retail Bond and bank loans are held at amortised cost.

Convertible bonds are designated as fair value through the profit and loss and so are presented on the Balance Sheet at fair value, with all gains and losses, including the write-off of issuance costs, recognised in the Income Statement. The interest charge in respect of the coupon rate on the bonds has been recognised within finance costs on an accruals basis.

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.

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 swaps, 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.

A derivative property asset is recognised on the Balance Sheet when the Group has contractually assigned an existing purchase contract. A derivative property asset is initially recorded at its fair value and is remeasured at each reporting period date to its fair value, which is based upon the future contracted cash flow discounted for both time and risk. Any change in fair value is recognised in the Income Statement as a development profit.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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 IAS 17, operating leases receipts and payments 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 on consolidation. 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 any difference as a reserves transfer.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. PRINCIPAL ACCOUNTING POLICIES CONTINUED

#### 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 assets and liabilities and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and other assumptions that management and the Board of Directors believe are reasonable under the particular 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 the Group's earnings and financial position are:

#### Estimates

- Recognition of share-based payments where non-market conditions apply, which is dependent upon the estimated number of Performance Share Plan awards that will vest at the end of the periods based on future forecast performance and employee retention (note 29). The 2015 award is based on the 31 March 2018 results, so does not require estimation, but the 2016 and 2017 vesting percentages do require estimation. As at March 2018, the estimated vesting percentage for 2016 was 25.00% and for 2017 was 25.00%. These have been sensitised for a range of reasonably possible vesting outcomes. If it was estimated that nil% of the remaining shares were expected to vest it would result in a credit to the Income Statement of £650,000 and if it was estimated that 100% were expected to vest it would result in a £1.9m additional charge. A 10% variation in the estimated vesting percentage would result in a £260,000 charge/credit recognised in the Income Statement.
- Determination of the most appropriate percentage interest at which to recognise our share of joint ventures, where our economic interest can differ to our ownership interest (see note 18). Under the Barts Square joint venture agreement the Group is entitled to varying returns dependent upon the performance of the development. Whilst the Group holds a 33.3% legal share in the Barts Square group, it has accounted for its share at 43.8% to reflect its expected economic interest in the joint venture. There are several estimates that contribute to this expected economic interest, the most sensitive of which is the estimated sales price of the residential units. If the estimated sales prices were 15% lower, the Group's economic interest would fall by 2.4% (with a net asset decrease of £1.5m) whilst an increase of 15% would result in a rise of 1.0% in economic interest (with a net asset increase of £0.6m).
- Valuation of investment properties. The sensitivity of these valuations to changes in the reversionary yield is included in note 14;
- The net realisable value of land and development properties contain subjective assumptions including the results of future planning decisions, future construction costs and future sales values and timings (note 19). We do not consider the range of reasonably possible outcomes for changes in estimated cost or sales price would result in a material impact to net realisable value; and
- Determination of the stage of completion of development management projects which impact the amount of development management revenue, particularly the management fee recognised in relation to One Creechurch Place. There are no changes in assumptions for which the reasonably possible outcomes would have a material impact on the revenue recognised in the year.

#### Judgements

- 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 10);
- Consideration of the nature of joint arrangements. In the context of IFRS 10, this involves consideration of where the control lies and whether either party has the power to vary its returns from the arrangements. In particular, significant judgement is exercised where the shareholding of the Group is not 50% (note 18); and
- Recognition of development management project revenue, where payment for these services is triggered by a future event (sale or letting of the property).

# NOTES TO THE FINANCIAL STATEMENTS

## 38. SUBSIDIARY AND RELATED UNDERTAKINGS

The Company's subsidiary and related undertakings are listed below. Except where otherwise indicated all undertakings are incorporated, registered and operate in the United Kingdom at 5 Hanover Square, London, W1S 1HQ.

The share capital of each of the companies, where applicable, is comprised of ordinary shares unless otherwise stated.

| Company                                              | Direct/<br>Indirect | Ultimate<br>% |
|------------------------------------------------------|---------------------|---------------|
| <b>ACTIVE SUBSIDIARIES</b>                           |                     |               |
| 1 207 OLD STREET UNIT TRUST <sup>1</sup>             | Indirect            | 100%+         |
| 2 211 OLD STREET UNIT TRUST <sup>1</sup>             | Indirect            | 100%+         |
| 3 AYCLIFFE & PETERLEE INVESTMENT COMPANY LIMITED     | Direct              | 100%          |
| 4 BAYLIGHT DEVELOPMENTS LIMITED                      | Indirect            | 100%          |
| 5 CPP INVESTMENTS LIMITED                            | Indirect            | 100%          |
| 6 DOWNTOWN SPACE PROPERTIES LLP                      | Indirect            | 100%          |
| 7 EC PROPERTY MANAGEMENT SP. Z O.O. <sup>2</sup>     | Indirect            | 100%          |
| 8 EMBANKMENT PLACE (LP) LIMITED <sup>3</sup>         | Direct              | 100%          |
| 9 FARRINGDON EAST (JERSEY) LIMITED <sup>4</sup>      | Direct              | 100%          |
| 10 G2 ESTATES LIMITED                                | Direct              | 100%          |
| 11 HB SAWSTON NO 3 LIMITED                           | Direct              | 100%          |
| 12 HELICAL (BEACON ROAD) LIMITED                     | Direct              | 100%          |
| 13 HELICAL (BOOTH ST) LIMITED                        | Direct              | 100%          |
| 14 HELICAL (BOSS) LIMITED                            | Direct              | 100%          |
| 15 HELICAL (BROWNHILLS) LIMITED                      | Direct              | 100%          |
| 16 HELICAL (CANNOCK) LIMITED                         | Direct              | 100%          |
| 17 HELICAL (CARDIFF) LIMITED                         | Direct              | 100%          |
| 18 HELICAL (CHART) LIMITED                           | Direct              | 100%          |
| 19 HELICAL (CHESTER) LIMITED                         | Direct              | 100%          |
| 20 HELICAL (CHURCHGATE) LIMITED                      | Indirect            | 100%          |
| 21 HELICAL (CS HOLDINGS) JERSEY LIMITED <sup>4</sup> | Direct              | 100%          |
| 22 HELICAL (CS) JERSEY LIMITED <sup>4</sup>          | Indirect            | 100%          |
| 23 HELICAL (DALE HOUSE) LIMITED                      | Direct              | 100%          |
| 24 HELICAL (DOXFORD) LIMITED                         | Direct              | 100%          |
| 25 HELICAL (ELLESMERE PORT) LIMITED                  | Direct              | 100%          |
| 26 HELICAL (FP) HOLDINGS LIMITED                     | Indirect            | 100%          |
| 27 HELICAL (GREAT YARMOUTH) LIMITED                  | Direct              | 100%          |
| 28 HELICAL (HALESOWEN) LIMITED                       | Direct              | 100%          |
| 29 HELICAL (HAVANT) LIMITED                          | Direct              | 100%          |
| 30 HELICAL (HEDGE END) LIMITED                       | Direct              | 100%          |
| 31 HELICAL (HINCKLEY) LIMITED                        | Direct              | 100%          |
| 32 HELICAL (HUDDERSFIELD) LIMITED                    | Direct              | 100%          |
| 33 HELICAL (JARROW) LIMITED                          | Direct              | 100%          |
| 34 HELICAL (LB) LIMITED                              | Direct              | 100%          |
| 35 HELICAL (NORTHAMPTON) LIMITED                     | Direct              | 100%          |
| 36 HELICAL (OS HOLDCO) JERSEY LIMITED                | Indirect            | 100%          |
| 37 HELICAL (PETERBOROUGH) LIMITED                    | Direct              | 100%          |
| 38 HELICAL (PORCHESTER) LIMITED                      | Direct              | 100%          |
| 39 HELICAL (PORTBURY) LIMITED                        | Direct              | 100%          |
| 40 HELICAL (POWER ROAD) LIMITED                      | Direct              | 100%          |
| 41 HELICAL (QUARTZ) LIMITED                          | Direct              | 100%          |
| 42 HELICAL (SALFORD) LIMITED                         | Direct              | 100%          |
| 43 HELICAL (SEVENOAKS) LIMITED                       | Direct              | 100%          |
| 44 HELICAL (SHEPHERDS) LIMITED                       | Indirect            | 100%          |
| 45 HELICAL (SIX) LIMITED                             | Direct              | 100%          |
| 46 HELICAL (SOUTHEND) LIMITED                        | Direct              | 100%          |
| 47 HELICAL (STONE) LIMITED                           | Direct              | 100%          |
| 48 HELICAL (SUN) LIMITED                             | Direct              | 100%          |
| 49 HELICAL (TELFORD) LIMITED                         | Direct              | 100%          |
| 50 HELICAL (WELLINGBOROUGH) LIMITED                  | Direct              | 100%          |
| 51 HELICAL (WHITECHAPEL) LIMITED                     | Indirect            | 100%          |
| 52 HELICAL (YATE) LIMITED                            | Direct              | 100%          |
| 53 HELICAL ASSET MANAGEMENT SP. Z O.O. <sup>5</sup>  | Indirect            | 100%          |
| 54 HELICAL B.V. <sup>3</sup>                         | Direct              | 100%          |
| 55 HELICAL BAR (CATHCART) LIMITED                    | Direct              | 100%          |
| 56 HELICAL BAR (DRURY LANE) LIMITED                  | Direct              | 100%          |
| 57 HELICAL BAR (GREAT DOVER STREET) LIMITED          | Indirect            | 100%          |
| 58 HELICAL BAR (JERSEY) LIMITED <sup>4</sup>         | Direct              | 100%          |

## NOTES TO THE FINANCIAL STATEMENTS

### 38. SUBSIDIARY AND RELATED UNDERTAKINGS CONTINUED

|                                                | Company                                                 | Direct/<br>Indirect | Ultimate<br>% |
|------------------------------------------------|---------------------------------------------------------|---------------------|---------------|
| 59                                             | HELICAL BAR (MAPLE) LIMITED                             | Direct              | 100%          |
| 60                                             | HELICAL BAR (MITRE SQUARE) DEVELOPMENTS LIMITED         | Direct              | 100%          |
| 61                                             | HELICAL BAR (ST VINCENT STREET) LIMITED                 | Direct              | 100%          |
| 62                                             | HELICAL BAR (WALES) LIMITED                             | Indirect            | 100%          |
| 63                                             | HELICAL BAR (WHITE CITY) LIMITED                        | Direct              | 100%          |
| 64                                             | HELICAL BAR DEVELOPMENTS (SOUTH EAST) LIMITED           | Direct              | 100%          |
| 65                                             | HELICAL BAR DEVELOPMENTS LIMITED                        | Direct              | 100%          |
| 66                                             | HELICAL FARRINGDON EAST (JERSEY) LIMITED <sup>4</sup>   | Direct              | 100%          |
| 67                                             | HELICAL FINANCE (AV) LIMITED                            | Direct              | 100%          |
| 68                                             | HELICAL FINANCE (BAR) LIMITED                           | Direct              | 100%          |
| 69                                             | HELICAL FINANCE (RBS) LIMITED                           | Direct              | 100%          |
| 70                                             | HELICAL INVESTMENT HOLDINGS LIMITED                     | Direct              | 100%          |
| 71                                             | HELICAL JERSEY HOLDINGS LIMITED <sup>4</sup>            | Direct              | 100%          |
| 72                                             | HELICAL JERSEY INVESTMENT HOLDINGS LIMITED <sup>4</sup> | Direct              | 100%          |
| 73                                             | HELICAL OLD STREET JERSEY HOLDINGS LIMITED <sup>4</sup> | Direct              | 100%          |
| 74                                             | HELICAL OLD STREET JERSEY LIMITED <sup>4</sup>          | Indirect            | 100%          |
| 75                                             | HELICAL POLAND SP. Z O.O. <sup>2</sup>                  | Indirect            | 100%          |
| 76                                             | HELICAL PROPERTIES (HSM) LIMITED                        | Indirect            | 100%          |
| 77                                             | HELICAL PROPERTIES INVESTMENT LIMITED                   | Direct              | 100%          |
| 78                                             | HELICAL RETAIL LIMITED                                  | Direct              | 100%          |
| 79                                             | HELICAL SERVICES LIMITED                                | Direct              | 100%          |
| 80                                             | HELICAL WROCLAW SP. Z O.O. <sup>2</sup>                 | Indirect            | 100%          |
| 81                                             | METROPOLIS PROPERTY LIMITED                             | Indirect            | 100%          |
| 82                                             | OLD STREET UNITHOLDER NO 1 LIMITED <sup>4</sup>         | Indirect            | 100%          |
| 83                                             | OLD STREET UNITHOLDER NO 2 LIMITED <sup>4</sup>         | Indirect            | 100%          |
| <b>JOINT VENTURES AND JOINT OPERATIONS</b>     |                                                         |                     |               |
| 1                                              | ABBEYGATE HELICAL (C4.1) LLP                            | Direct              | 50%           |
| 2                                              | ABBEYGATE HELICAL (LEISURE PLAZA) LIMITED               | Direct              | 50%           |
| 3                                              | BARTS CLOSE OFFICE LIMITED <sup>4</sup>                 | Indirect            | 33%           |
| 4                                              | BARTS ONE LIMITED <sup>4</sup>                          | Indirect            | 33%           |
| 5                                              | BARTS SQUARE ACTIVE ONE LIMITED <sup>4</sup>            | Indirect            | 33%           |
| 6                                              | BARTS SQUARE FIRST LIMITED                              | Indirect            | 33%           |
| 7                                              | BARTS SQUARE FIRST OFFICE LIMITED <sup>4</sup>          | Indirect            | 33%           |
| 8                                              | BARTS SQUARE FIRST RESIDENTIAL LIMITED <sup>4</sup>     | Indirect            | 33%           |
| 9                                              | BARTS SQUARE LAND ONE LIMITED                           | Indirect            | 33%           |
| 10                                             | BARTS TWO LIMITED                                       | Indirect            | 33%           |
| 11                                             | BARTS, L.P. <sup>6</sup>                                | Indirect            | 33%           |
| 12                                             | CREECHURCH PLACE LIMITED <sup>7</sup>                   | Indirect            | 10%           |
| 13                                             | HASLUCKS GREEN LIMITED                                  | Indirect            | 50%           |
| 14                                             | HELICAL BAR (MITRE SQUARE) LIMITED                      | Indirect            | 10%           |
| 15                                             | HELICAL GRAINGER LIMITED                                | Indirect            | 50%           |
| 16                                             | HELICAL GRAINGER (HOLDINGS) LIMITED                     | Indirect            | 50%           |
| 17                                             | KING STREET DEVELOPMENTS (HAMMERSMITH) LIMITED          | Indirect            | 50%           |
| 18                                             | OBC DEVELOPMENT MANAGEMENT LIMITED                      | Indirect            | 33%           |
| 19                                             | SHIRLEY ADVANCE LLP                                     | Indirect            | 50%           |
| <b>DORMANT SUBSIDIARIES AND JOINT VENTURES</b> |                                                         |                     |               |
| 1                                              | AYCLIFFE & PETERLEE DEVELOPMENT COMPANY LIMITED         | Direct              | 100%          |
| 2                                              | BASILDON GENERAL PARTNER LIMITED                        | Direct              | 100%          |
| 3                                              | DENCORA (DOCKLANDS) LIMITED                             | Direct              | 100%          |
| 4                                              | DENCORA (FORDHAM) LIMITED                               | Indirect            | 100%          |
| 5                                              | FARRINGDON EAST LIMITED                                 | Direct              | 100%          |
| 6                                              | HARBOUR DEVELOPMENTS (BRACKNELL) LIMITED                | Direct              | 100%          |
| 7                                              | GLENLAKE LIMITED                                        | Indirect            | 100%          |
| 8                                              | HB SAWSTON NO. 1 LIMITED                                | Direct              | 100%          |
| 9                                              | HB SAWSTON NO. 2 LIMITED                                | Direct              | 100%          |
| 10                                             | HB SAWSTON NO. 4 LIMITED                                | Direct              | 100%          |
| 11                                             | HELICAL (ALFRETON) LIMITED                              | Direct              | 100%          |
| 12                                             | HELICAL (ARTILLERY) LIMITED                             | Direct              | 100%          |
| 13                                             | HELICAL (BATTERSEA) LIMITED                             | Direct              | 100%          |
| 14                                             | HELICAL (BOSS 2) LIMITED                                | Direct              | 100%          |
| 15                                             | HELICAL (BROADWAY) LIMITED                              | Direct              | 100%          |

# NOTES TO THE FINANCIAL STATEMENTS

|    | Company                                     | Direct/<br>Indirect | Ultimate<br>% |
|----|---------------------------------------------|---------------------|---------------|
| 16 | HELICAL (CG) LIMITED                        | Direct              | 100%          |
| 17 | HELICAL (COBHAM) LIMITED                    | Direct              | 100%          |
| 18 | HELICAL (CORBY INVESTMENTS) LIMITED         | Direct              | 100%          |
| 19 | HELICAL (ENTERPRISE) LIMITED                | Indirect            | 100%          |
| 20 | HELICAL (FORDHAM) LIMITED                   | Direct              | 100%          |
| 21 | HELICAL (GLASGOW) LIMITED <sup>a</sup>      | Direct              | 100%          |
| 22 | HELICAL (GRACELANDS) LIMITED                | Direct              | 100%          |
| 23 | HELICAL (HAILSHAM) LIMITED                  | Indirect            | 100%          |
| 24 | HELICAL (HARROGATE) LIMITED                 | Direct              | 100%          |
| 25 | HELICAL (HUB) LIMITED                       | Direct              | 100%          |
| 26 | HELICAL (MINT) LIMITED                      | Direct              | 100%          |
| 27 | HELICAL (SA) LIMITED                        | Direct              | 100%          |
| 28 | HELICAL (SCARBOROUGH) LIMITED               | Direct              | 100%          |
| 29 | HELICAL (SHOREDITCH) LIMITED                | Direct              | 100%          |
| 30 | HELICAL (STEVENAGE) LIMITED                 | Direct              | 100%          |
| 31 | HELICAL (SUTTON-IN-ASHFIELD) LIMITED        | Indirect            | 100%          |
| 32 | HELICAL (WEST LONDON) LIMITED               | Direct              | 100%          |
| 33 | HELICAL (WINTERHILL) LIMITED                | Direct              | 100%          |
| 34 | HELICAL BAR (CITY INVESTMENTS) LIMITED      | Indirect            | 100%          |
| 35 | HELICAL BAR (FALKIRK) LIMITED               | Direct              | 100%          |
| 36 | HELICAL BAR (YOKER) LIMITED                 | Direct              | 100%          |
| 37 | HELICAL BAR LIMITED                         | Direct              | 100%          |
| 38 | HELICAL BAR TRUSTEES LIMITED                | Direct              | 100%          |
| 39 | HELICAL FOOD RETAIL LIMITED                 | Direct              | 100%          |
| 40 | HELICAL GROUP LIMITED                       | Direct              | 100%          |
| 41 | HELICAL PROPERTIES LIMITED                  | Direct              | 100%          |
| 42 | HELICAL PROPERTIES (RS) LIMITED             | Direct              | 100%          |
| 43 | HELICAL REGISTRARS LIMITED                  | Direct              | 100%          |
| 44 | HGCI (HOLDCO) LIMITED                       | Indirect            | 100%          |
| 45 | HGCI (TRANSCO) LIMITED                      | Indirect            | 100%          |
| 46 | HGCI (UK) LIMITED                           | Indirect            | 100%          |
| 47 | HGCI HOLDINGS LIMITED                       | Indirect            | 100%          |
| 48 | HGCI INTERMEDIATE LIMITED                   | Direct              | 100%++        |
| 49 | HGCI LIMITED                                | Direct              | 100%          |
| 50 | OLD STREET HOLDINGS GP LIMITED <sup>1</sup> | Indirect            | 33%           |
| 51 | OLD STREET HOLDINGS L.P. <sup>1</sup>       | Indirect            | 33%           |
| 52 | ROPEMAKER PARK MANAGEMENT COMPANY LIMITED   | Indirect            | 100%++        |
| 53 | SCBP MANAGEMENT COMPANY LIMITED             | Indirect            | 75%           |
| 54 | SPRING (HOLDINGS) LIMITED                   | Indirect            | 100%          |
| 55 | SPRING (NO.1) LIMITED                       | Direct              | 100%          |
| 56 | SPRING (NO.2) LIMITED                       | Indirect            | 100%          |
| 57 | SPRING (NO.3) LIMITED                       | Indirect            | 100%          |
| 58 | SUTTON-IN-ASHFIELD GENERAL PARTNER LIMITED  | Indirect            | 100%          |
| 59 | THE ASSET FACTOR LIMITED                    | Direct              | 100%          |

## Registered offices:

- 1 13 Castle Street, St Helier, Jersey JE4 5UT.
- 2 Hoza 55/45, 00-681 Warsaw, Poland.
- 3 Hoogoorddreef 15 1101 BA Amsterdam, The Netherlands.
- 4 12 Castle Street, St Helier, Jersey JE2 3RT.
- 5 B.PRUSA 10 30-109 Krakow Poland.
- 6 c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States.
- 7 c/o Ocorian Limited, 26 New Street, St Helier, Jersey JE2 3RA.
- 8 c/o Shepherd and Wedderburn LLP, 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL.
- 9 c/o MacLay Murray & Spens LLP, 1 George Square, Glasgow G2 1AL.

## Notes:

- + No shares in issue in the Unit Trusts. The registered office address is that of the appropriate trustee.
- ++ Limited by Guarantee.

# ADDITIONAL INFORMATION

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## APPENDIX 1

### SEE-THROUGH ANALYSIS

Helical holds a significant proportion of its property assets in joint ventures with partners that provide the majority of the equity required to purchase the assets, whilst relying on the Group to provide asset management or development expertise. Accounting convention requires Helical to account under IFRS for our share of the net results and net assets of joint ventures in limited detail in the Income Statement and Balance Sheet. Net asset value per share, a key performance measure used in the real estate industry, as reported in the financial statements under IFRS, does not provide Shareholders with the most relevant information on the fair value of assets and liabilities within an ongoing real estate company with a long-term investment strategy.

This analysis incorporates the separate components of the results of the consolidated subsidiaries and Helical's share of its joint ventures' results into a "see-through" analysis of our property portfolio, debt profile and the associated income streams and financing costs, to assist in providing a comprehensive overview of the Group's activities.

#### See-through Net Rental Income

Helical's share of the gross rental income, head rents payable and property overheads from property assets held in subsidiaries and in joint ventures is shown in the table below:

|                                                        |                  | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|--------------------------------------------------------|------------------|-------------------------------|-------------------------------|
| Gross rental income                                    | - subsidiaries   | 40,157                        | 48,835                        |
|                                                        | - joint ventures | 189                           | 931                           |
| Total gross rental income                              |                  | 40,346                        | 49,766                        |
| Rents payable                                          | - subsidiaries   | (144)                         | (68)                          |
| Property overheads                                     | - subsidiaries   | (3,549)                       | (2,283)                       |
|                                                        | - joint ventures | (412)                         | (100)                         |
| Net rental income attributable to profit share partner |                  | (135)                         | (322)                         |
| See-through net rental income                          |                  | 36,106                        | 46,993                        |

#### See-through Net Development (Losses)/Profits

Helical's share of development (losses)/profits from property assets held in subsidiaries and in joint ventures is shown in the table below:

|                                        |                  | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|----------------------------------------|------------------|-------------------------------|-------------------------------|
| In parent and subsidiaries             |                  | (1,961)                       | 7,143                         |
| In joint ventures                      |                  | (1,939)                       | (35)                          |
| Total gross development (loss)/ profit |                  | (3,900)                       | 7,108                         |
| Provision against stock                | - subsidiaries   | (2,213)                       | (6,300)                       |
|                                        | - joint ventures | (1,880)                       | (6,524)                       |
| See-through development losses         |                  | (7,993)                       | (5,716)                       |

#### See-through Net Gain on Sale and Revaluation of Investment Properties

Helical's share of the net gain on sale and revaluation of investment properties held in subsidiaries and joint ventures is shown in the table below:

|                                                                       |                  | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|-----------------------------------------------------------------------|------------------|-------------------------------|-------------------------------|
| Revaluation surplus/(deficit) on investment properties                | - subsidiaries   | 23,848                        | 39,152                        |
|                                                                       | - joint ventures | 3,317                         | (1,875)                       |
| Total revaluation surplus                                             |                  | 27,165                        | 37,277                        |
| Net gain/(loss) on sale of investment properties                      | - subsidiaries   | 13,567                        | 1,391                         |
|                                                                       | - joint ventures | -                             | (54)                          |
| Total net gain on sale of investment properties                       |                  | 13,567                        | 1,337                         |
| See-through net gain on sale and revaluation of investment properties |                  | 40,732                        | 38,614                        |

#### See-through Net Finance Costs

Helical's share of the interest payable, finance charges, capitalised interest and interest receivable on bank borrowings, bonds and cash deposits in subsidiaries and in joint ventures is shown in the table below:

|                                                            |                  | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 |
|------------------------------------------------------------|------------------|-------------------------------|-------------------------------|
| Interest payable on bank loans, bonds and overdrafts       | - subsidiaries   | 26,873                        | 28,586                        |
|                                                            | - joint ventures | 24                            | 2                             |
| Total interest payable on bank loans, bonds and overdrafts |                  | 26,897                        | 28,588                        |
| Other interest payable and similar charges                 | - subsidiaries   | 15,761                        | 4,913                         |
|                                                            | - joint ventures | 2,012                         | -                             |
| Interest capitalised                                       | - subsidiaries   | (5,196)                       | (7,901)                       |
| Total finance costs                                        |                  | 39,474                        | 25,600                        |
| Interest receivable and similar income                     | - subsidiaries   | (4,303)                       | (3,156)                       |
|                                                            | - joint ventures | (16)                          | (1,233)                       |
| See-through net finance costs                              |                  | 35,155                        | 21,211                        |

## APPENDIX 1 CONTINUED

### See-through Property Portfolio

Helical's share of the investment, trading and development property portfolio in subsidiaries and joint ventures is shown in the table below:

|                                                          |                  | 31.3.18<br>£000 | 31.3.17<br>£000  |
|----------------------------------------------------------|------------------|-----------------|------------------|
| Investment property fair value                           | - subsidiaries   | 802,134         | 1,003,000        |
|                                                          | - joint ventures | 22,623          | 13,907           |
| <b>Total investment property fair value</b>              |                  | <b>824,757</b>  | <b>1,016,907</b> |
| Trading and development stock                            | - subsidiaries   | 6,042           | 86,680           |
|                                                          | - joint ventures | 76,474          | 89,115           |
| <b>Total trading and development stock</b>               |                  | <b>82,516</b>   | <b>175,795</b>   |
| Trading and development stock surplus                    | - subsidiaries   | 628             | 5,014            |
|                                                          | - joint ventures | 1,700           | 7,500            |
| <b>Total trading and development stock surpluses</b>     |                  | <b>2,328</b>    | <b>12,514</b>    |
| <b>Total trading and development stock at fair value</b> |                  | <b>84,844</b>   | <b>188,309</b>   |
| <b>See-through property portfolio</b>                    |                  | <b>909,601</b>  | <b>1,205,216</b> |

### See-through Net Borrowings

Helical's share of borrowings and cash deposits in parent and subsidiaries and joint ventures is shown in the table below:

|                                                          |                  | 31.3.18<br>£000 | 31.3.17<br>£000 |
|----------------------------------------------------------|------------------|-----------------|-----------------|
| Gross borrowings less than one year                      | - subsidiaries   | -               | 2,517           |
| Gross borrowings more than one year                      | - subsidiaries   | 416,992         | 671,184         |
| <b>Total gross borrowings in parent and subsidiaries</b> |                  | <b>416,992</b>  | <b>673,701</b>  |
| Gross borrowings less than one year                      | - joint ventures | -               | -               |
| Gross borrowings more than one year                      | - joint ventures | 49,523          | 55,282          |
| <b>Total gross borrowings in joint ventures</b>          |                  | <b>49,523</b>   | <b>55,282</b>   |
| Cash and cash equivalents                                | - subsidiaries   | (91,871)        | (99,262)        |
|                                                          | - joint ventures | (11,790)        | (9,745)         |
| <b>See-through net borrowings</b>                        |                  | <b>362,854</b>  | <b>619,976</b>  |

## APPENDIX 2

### SEE-THROUGH ANALYSIS RATIOS

|                      | Year ended<br>31.03.18<br>£000 | Year ended<br>31.03.17<br>£000 | Year ended<br>31.03.16<br>£000 | Year ended<br>31.03.15<br>£000 | Year ended<br>31.03.14<br>£000 |
|----------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Balance sheet</b> |                                |                                |                                |                                |                                |
| Property portfolio   | 909,601                        | 1,205,216                      | 1,240,003                      | 1,021,362                      | 801,712                        |
| Net borrowings       | 362,854                        | 619,976                        | 681,842                        | 531,897                        | 365,059                        |
| Net assets           | 533,894                        | 516,897                        | 480,721                        | 404,363                        | 340,527                        |
| Loan to value        | 39.9%                          | 51.4%                          | 55.0%                          | 52.1%                          | 45.5%                          |
| Gearing              | 68.0%                          | 119.9%                         | 141.8%                         | 131.5%                         | 107.2%                         |

## APPENDIX 3

### FIVE YEAR REVIEW Income Statements

|                                                              | Year ended<br>31.3.18<br>£000 | Year ended<br>31.3.17<br>£000 | Year ended<br>31.3.16<br>£000 | Year ended<br>31.3.15<br>£000 | Year ended<br>31.3.14<br>£000 |
|--------------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Revenue</b>                                               | 165,973                       | 99,934                        | 116,500                       | 106,341                       | 123,637                       |
| Net rental income                                            | 36,329                        | 46,162                        | 42,164                        | 34,233                        | 24,402                        |
| Development property (loss)/profit                           | (1,961)                       | 7,143                         | 30,700                        | 16,126                        | 62,273                        |
| Provisions against stock                                     | (2,213)                       | (6,300)                       | (6,448)                       | (452)                         | 552                           |
| Trading profit                                               | -                             | -                             | -                             | 2,503                         | 252                           |
| Share of results of joint ventures                           | 3,196                         | (6,528)                       | 50,469                        | 27,497                        | 16,448                        |
| Other operating income                                       | 111                           | 982                           | 20                            | 368                           | 230                           |
| <b>Gross profit before gain on investment properties</b>     | 35,462                        | 41,459                        | 116,905                       | 80,275                        | 104,157                       |
| Gain on sale of investment properties                        | 13,567                        | 1,391                         | 2,385                         | 2,480                         | 8,611                         |
| Revaluation surplus on investment properties                 | 23,848                        | 39,152                        | 47,441                        | 66,904                        | 20,714                        |
| Fair value movement of available-for-sale assets             | 1,385                         | (3,352)                       | (1,370)                       | (773)                         | (88)                          |
| Administrative expenses excluding performance related awards | (11,023)                      | (10,800)                      | (10,716)                      | (10,156)                      | (8,816)                       |
| Performance related awards                                   | (1,742)                       | (7,572)                       | (15,387)                      | (16,374)                      | (17,860)                      |
| Finance costs                                                | (37,438)                      | (25,598)                      | (24,113)                      | (23,678)                      | (13,983)                      |
| Finance income                                               | 4,303                         | 3,156                         | 5,128                         | 2,480                         | 4,135                         |
| Movement in fair value of derivative financial instruments   | 4,029                         | 789                           | (6,860)                       | (8,389)                       | 5,312                         |
| Change in fair value of Convertible Bond                     | (1,559)                       | 2,973                         | 516                           | (3,263)                       | -                             |
| Foreign exchange (losses)/gains                              | (10)                          | (3)                           | 100                           | (2,061)                       | (501)                         |
| <b>Profit before tax</b>                                     | 30,822                        | 41,595                        | 114,029                       | 87,445                        | 101,681                       |
| Tax on profit on ordinary activities                         | (4,537)                       | (2,471)                       | (9,146)                       | (12,669)                      | (14,126)                      |
| <b>Profit after tax</b>                                      | 26,285                        | 39,124                        | 104,883                       | 74,776                        | 87,555                        |

### Balance Sheets

|                                                                                  | 31.3.18<br>£000 | 31.3.17<br>£000 | 31.3.16<br>£000 | 31.3.15<br>£000 | 31.3.14<br>£000 |
|----------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Investment portfolio at fair value</b>                                        | 802,134         | 1,003,000       | 1,041,100       | 701,521         | 493,201         |
| Land, developments and trading properties                                        | 6,042           | 86,680          | 92,035          | 92,578          | 98,160          |
| Group's share of investment properties held by joint ventures                    | 22,623          | 13,907          | 11,552          | 88,305          | 107,504         |
| Group's share of land, trading and development properties held by joint ventures | 76,474          | 89,115          | 75,904          | 102,715         | 75,368          |
| Group's share of land, trading and development stock surpluses                   | 2,328           | 12,514          | 19,412          | 36,243          | 27,479          |
| <b>Group's share of total properties at fair value</b>                           | 909,601         | 1,205,216       | 1,240,003       | 1,021,362       | 801,712         |
| <b>Net debt</b>                                                                  | 325,121         | 574,439         | 659,393         | 477,248         | 312,849         |
| Group's share of net debt of joint ventures                                      | 37,733          | 45,537          | 22,449          | 54,649          | 52,210          |
| <b>Group's share of net debt</b>                                                 | 362,854         | 619,976         | 681,842         | 531,897         | 365,059         |
| <b>Net assets</b>                                                                | 533,894         | 516,897         | 480,721         | 404,363         | 340,527         |
| <b>EPRA Net assets</b>                                                           | 561,644         | 565,973         | 540,731         | 469,128         | 370,062         |
| <b>Dividend per ordinary share paid/payable</b>                                  | 8.70p           | 3.12p           | 12.60p          | 6.85p           | 5.70p           |
| <b>Dividend per ordinary share declared</b>                                      | 9.50p           | 8.60p           | 8.17p           | 7.25p           | 6.75p           |
| <b>EPRA (loss)/earnings per ordinary share</b>                                   | (7.0)p          | 0.5p            | 17.1p           | 2.4p            | 33.3p           |
| <b>EPRA net assets per share</b>                                                 | 468p            | 473p            | 456p            | 385p            | 313p            |

## APPENDIX 4

### PROPERTY PORTFOLIO London Portfolio

| Address                                                | Held as                    | Description                                                                                                     | Area<br>sq ft<br>(NIA) | Vacancy<br>rate at<br>31 March 2018 |
|--------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------|
| <b>Completed, let and available to let<sup>1</sup></b> |                            |                                                                                                                 |                        |                                     |
| The Shepherds Building W14                             | Investment                 | Multi-let office building                                                                                       | 150,470                | 6%                                  |
| The Warehouse and Studio,<br>The Bower EC1             | Investment                 | Multi-let office building with retail                                                                           | 151,439                | 0%                                  |
| The Loom E1                                            | Investment                 | Multi-let office building                                                                                       | 110,068                | 17%                                 |
| The Powerhouse W4                                      | Investment                 | Single-let recording studios/office building                                                                    | 24,288                 | 0%                                  |
| Power Road Studios W4                                  | Investment                 | Multi-let office building with redevelopment potential                                                          | 57,289                 | 29%                                 |
| 25 Charterhouse Square EC1                             | Investment                 | Multi-let office building                                                                                       | 43,493                 | 0%                                  |
| One Creechchurch Place EC3                             | Development                | Multi-let office building                                                                                       | 272,913                | 31%                                 |
| <b>Being redeveloped</b>                               |                            |                                                                                                                 |                        |                                     |
| The Tower, The Bower EC1                               | Investment                 | Multi-let office building with retail undergoing refurbishment and extension                                    | 181,770                | n/a                                 |
| Farringdon East EC1                                    | Investment                 | Over station office development                                                                                 | 89,000 <sup>1</sup>    | n/a                                 |
| Barts Square EC1                                       | Investment/<br>Development | 33,301 sq ft offices, 236 residential apartments and 21,692 sq ft retail/leisure development under construction | 257,290                | n/a                                 |
| Drury Lane WC1                                         | Development                | Planning consent for an alternative office led scheme is being sought                                           | n/a                    | n/a                                 |
| <b>Land held for sale</b>                              |                            |                                                                                                                 |                        |                                     |
| King Street W6                                         | Development                | Development site                                                                                                | n/a                    | n/a                                 |

### Manchester Portfolio

| Address                | Held as    | Description                                 | Area<br>sq ft<br>(NIA) | Vacancy<br>rate |
|------------------------|------------|---------------------------------------------|------------------------|-----------------|
| 31 Booth Street        | Investment | Multi-let office building                   | 25,441                 | 83%             |
| Churchgate & Lee House | Investment | Multi-let office building                   | 243,701                | 0%              |
| Dale House             | Investment | Multi-let office building                   | 53,265                 | 38%             |
| Trinity Court          | Investment | Office building currently being redeveloped | 47,443                 | n/a             |
|                        |            |                                             | 369,580                |                 |

### Regional Portfolio

| Address                    | Held as     | Description               | Area<br>sq ft<br>(NIA) | Vacancy<br>rate |
|----------------------------|-------------|---------------------------|------------------------|-----------------|
| <b>Regional Offices</b>    |             |                           |                        |                 |
| The Hub, Glasgow           | Investment  | Multi-let office building | 57,388                 | 2%              |
| Reading <sup>2</sup>       | Investment  | Office building           | 36,092                 | 0%              |
|                            |             |                           | 93,480                 |                 |
| <b>Land</b>                |             |                           |                        |                 |
| Telford, Dawley Road       | Development | Residential land          | n/a                    | n/a             |
| <b>Out-of-town Retail</b>  |             |                           |                        |                 |
| Sevenoaks, Kent            | Investment  | Retail park               | 42,490                 | 0%              |
|                            |             |                           | 42,490                 |                 |
| <b>Retail Development</b>  |             |                           |                        |                 |
| Ibstock site, Kingswinford | Development | Retail park               | 67,050                 | n/a             |
| Barking Road, East Ham     | Development | Retail/leisure            | 43,294                 | n/a             |
| Treyew Road, Truro         | Development | Retail park               | 83,816                 | n/a             |
|                            |             |                           | 194,160                |                 |

<sup>1</sup> Estimated space once developed.

<sup>2</sup> Sold since 31 March 2018 for its book value of £8.3m.

## APPENDIX 5

### EPRA PERFORMANCE MEASURES

The European Public Real Estate Association Best Practice Recommendations sets out a number of EPRA Performance Measures ("EPMs") to aid comparability in reporting across property companies. The principal EPMs applicable to the Group are set out below:

| EPRA performance measure | Definition                                                                                                                                                                                                                       | Note | 31.3.18 | 31.3.17 |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|
| EPRA (Losses)/Earnings   | (Losses)/Earnings from operational activities.                                                                                                                                                                                   | 13   | (7.0)p  | 0.5p    |
| EPRA NAV                 | Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.                          | 33   | 468p    | 473p    |
| EPRA NNAV                | EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.                                                                                                                                  | 33   | 448p    | 442p    |
| EPRA NIY                 | Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. |      | 4.20%   | 3.70%   |
| EPRA Topped Up NIY       | This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).                                  |      | 4.78%   | 5.20%   |
| EPRA Vacancy Rate        | Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.                                                                                                                                       |      | 8.63%   | 27.26%  |

The note references provide the calculation of the associated measure. Other measures are calculated as follows:

| EPRA Net Initial Yield and EPRA Topped Up Net Initial Yield |                  |  | 31.3.18<br>£000 |
|-------------------------------------------------------------|------------------|--|-----------------|
| Investment property at fair value                           | - subsidiaries   |  | 802,134         |
| Investment property at fair value                           | - joint ventures |  | 22,623          |
| Less: Property under construction                           | - subsidiaries   |  | (203,334)       |
| Property under construction                                 | - joint ventures |  | (22,623)        |
| Undeveloped land                                            |                  |  | (100)           |
| Properties not held for rental income                       |                  |  | -               |
| Completed property portfolio                                |                  |  | 598,700         |
| Allowance for estimated purchaser's costs of 6.8%           |                  |  | 40,712          |
| Gross up completed property portfolio                       |                  |  | 639,412         |
| Passing rent net of head rents                              |                  |  | 26,875          |
| EPRA NIY                                                    |                  |  | 4.20%           |
| Add: Contracted rent                                        |                  |  | 3,688           |
| Topped up annualised net rents                              |                  |  | 30,563          |
| EPRA Topped up NIY                                          |                  |  | 4.78%           |
| EPRA Vacancy Rate                                           |                  |  | 31.3.18<br>£000 |
| ERV of vacant space                                         |                  |  | 3,210           |
| ERV of total portfolio                                      |                  |  | 37,190          |
| EPRA Vacancy rate                                           |                  |  | 8.63%           |

Below is a table setting out in greater detail the types of capital expenditure made by the Group during the year.

|                      | Note | Year ended<br>31.3.18<br>£000 |
|----------------------|------|-------------------------------|
| Acquisitions         |      | 24,967                        |
| Existing portfolio   |      | 72,414                        |
| Capitalised interest |      | 3,661                         |
| Total capex          | 14   | 101,042                       |

There were two new investment property purchases during the year, Trinity Court, Manchester (£13.5m) and Farringdon East, London EC1, (£11.4m). The majority of the expenditure on the existing portfolio was made on the London portfolio (90%) and the Manchester offices (8%). Similarly, 98% of the capitalised interest is in London and 2% is in Manchester offices. Capitalised interest is calculated in accordance with IAS 23 - *Borrowing Costs*.

## SHAREHOLDER INFORMATION

### WEBSITE

The report and financial statements, a list of properties held by the Group, Company presentations, press releases, the financial calendar and other information on the Group are available on our website at [www.helical.co.uk](http://www.helical.co.uk)

### REGISTRAR

All general enquiries concerning holdings of ordinary shares in Helical plc should be addressed to the Company's Registrar:

#### Link Asset Services

The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Telephone: 0871 664 0300\*

From outside the UK +44 371 664 0300

Website: [www.linkassetsservices.com](http://www.linkassetsservices.com)

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

\* Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

### E-COMMUNICATION

Shareholders and all interested parties may choose to be alerted about press releases, regulatory news updates and financial calendar updates by subscribing to the alert service in the "Regulatory News" area of our website.

Shareholders may inform us how they wish to receive statutory communications from the Company, including annual reports and notices of general meetings, via the Shareholder portal. Further to a letter of deemed consent sent to Shareholders on 5 April 2017, Shareholders are notified by post by default when notices, documents and information from the Company are available on the website at [www.helical.co.uk](http://www.helical.co.uk). If you wish to be notified by email each time the Company places a statutory document on its website or if you would like to receive printed copies of statutory documents in the post, please go to [www.signalshares.com](http://www.signalshares.com). Once you have registered, click on the "Manage your Account" link and follow the on-screen instructions.

### PAYMENT OF DIVIDENDS

UK 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. Shareholders who would like their future dividends to be paid in this way should complete a mandate instruction available from the Registrar or register their mandate at: [www.signalshares.com](http://www.signalshares.com). Under this arrangement dividend confirmations 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, please 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 plc shares.

For further details, contact the Company's Registrar (on 0371 664 0381\* or email [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk)) or complete an application form online at: [www.signalshares.com](http://www.signalshares.com)

\* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

For participants in the DRIP, key dates of forthcoming dividends can be found in Financial Calendar page in the "Investors" section of the website at [www.helical.co.uk](http://www.helical.co.uk)

### SHARE DEALING SERVICE

An online and telephone share dealing service is available to our Shareholders through Link Share Deal.

For further information on this service or to buy and sell shares online, please visit [www.linksharedeal.com](http://www.linksharedeal.com) or call 0371 664 0445\*.

\* Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am - 4.30pm Monday to Friday excluding public holidays in England and Wales.

### SHAREGIFT

Shareholders with a small number of shares, which are uneconomical to sell, may wish to consider donating them to a charity, free of charge through ShareGift, (registered charity 1052686). For further information please visit [www.sharegift.org](http://www.sharegift.org), call 020 7930 3737 or write to ShareGift, PO Box 72253, London, SW1P 9LQ/[help@sharegift.org](mailto:help@sharegift.org)

### DIVIDENDS

Dividends declared and/or paid during the year to 31 March 2018 were as follows:

| Dividend        | Record date<br>2017 | Payment date<br>2017 | Amount |
|-----------------|---------------------|----------------------|--------|
| 2016-17 Final   | 23 June             | 21 July              | 6.20p  |
| 2017-18 Interim | 24 November         | 22 December          | 2.50p  |

Dividend payment dates in 2018 will be as follows:

| Dividend        | Record date<br>2018 | Payment date<br>2018 | Amount           |
|-----------------|---------------------|----------------------|------------------|
| 2017-18 Final   | 15 June             | 20 July              | 7.00p            |
| 2018-19 Interim | December            | December             | TBC <sup>1</sup> |

1 The amount of the 2018-19 Interim Dividend will be announced in November 2018.

### 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 investment advice, offers to buy shares at a discount or offers of free reports into Helical.

If you receive unsolicited investment advice:

- Exercise caution and never disclose personal details;
- Obtain the correct name of the person and organisation and make a record of any other information they give you, such as a telephone number, address or website address;
- Check that they are properly authorised by the FCA (Financial Conduct Authority) before getting involved. This can be checked at [fca.org.uk/consumers](http://fca.org.uk/consumers). If you deal with an unauthorised firm you will not be eligible to receive payment under the Financial Services Compensation Scheme;
- Get impartial advice before handing over any money;
- If the caller persists, hang up;
- Inform us on 020 7629 0113 (email: [reception@helical.co.uk](mailto:reception@helical.co.uk)) or our Registrars, Link Asset Services, on 0871 664 0300 (email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)). Whilst we are not able to investigate such incidents ourselves we will record the details and will liaise with the FCA; and
- Report the suspected fraud to the FCA either by calling: 0800 111 6768 or by completing an online form at: [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm)

### SHARE PRICE INFORMATION

The latest information on the Helical plc share price is available on our website [www.helical.co.uk](http://www.helical.co.uk)

### REGISTERED OFFICE

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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 or Group**

Helical plc and its subsidiary undertakings.

### **Diluted figures**

Reported amounts adjusted to include the effects of potential shares issuable under the Director and employee remuneration 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.

### **EPRA earnings per share**

Earnings per share adjusted to exclude gains/losses on sale and revaluation of investment properties and their deferred tax adjustments, the tax on profit/loss on disposal of investment properties, trading property profits/losses, movement in fair value of available-for-sale assets and fair value movements on derivative financial instruments, on an undiluted basis. Details of the method of the calculation of the EPRA earnings per share are available from EPRA (see note 13).

### **EPRA net assets per share**

Diluted net asset value per share adjusted to exclude fair value of financial instruments and the Convertible Bond, 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.

### **EPRA Topped-up NIY**

The current annualised rent, net of costs, topped-up for contracted uplifts, expressed as a percentage of the fair value of the relevant property (see Appendix 5).

### **EPRA triple net asset value per share**

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 (see note 33).

### **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.

### **Initial yield**

Annualised net passing rents on investment properties as a percentage of the investment property valuation.

### **IPD**

Investment Property Databank Limited (IPD) is a company that produces a number of independent benchmarks of unleveraged commercial property returns.

### **Net asset value per share (NAV)**

Net assets 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 net assets.

### **Passing rent**

The annual gross rental income being paid by the tenant.

### **Reversionary yield**

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 consolidated Group and the Group's share in its joint ventures (see Appendix 1).

### **See-through gearing**

The see-through net borrowings expressed as a percentage of net assets (see Appendix 2).

### **Total Accounting Return**

The growth in the net asset value of the Company plus dividends paid in the year, expressed as a percentage of net asset value at the start of the year.

### **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 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.

### **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.

### **WAULT**

The total contracted rent up to the lease expiry date divided by the contracted annual rent.

## FINANCIAL CALENDAR AND ADVISORS

# CALENDAR 2018-2019

### 2018

|                            |                                                            |
|----------------------------|------------------------------------------------------------|
| 14 June 2018               | Ex-dividend date for final ordinary dividend               |
| 15 June 2018               | Record date for final ordinary dividend                    |
| 12 July 2018               | Annual General Meeting                                     |
| 20 July 2018               | Final ordinary dividend payable                            |
| November 2018 <sup>1</sup> | Half Year Results and interim ordinary dividend announced  |
| December 2018 <sup>2</sup> | Ex-dividend date for interim ordinary dividend             |
| December 2018 <sup>2</sup> | Registration qualifying date for interim ordinary dividend |

### 2019

|          |                                                    |
|----------|----------------------------------------------------|
| May 2019 | Announcement of Full Year Results to 31 March 2019 |
|----------|----------------------------------------------------|

### Notes

- 1 The announcement date of the Half Year Results will be confirmed in October 2018.
- 2 Dates for the potential interim dividend will be confirmed in the Half Year Results Announcement.

# ADVISORS

|                      |                                                                                                                                                             |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registrars           | - Link Asset Services                                                                                                                                       |
| Bankers              | - Aviva Commercial Finance Limited<br>- Barclays Bank PLC<br>- HSBC Bank PLC<br>- Lloyds Bank PLC<br>- Santander UK PLC<br>- The Royal Bank of Scotland PLC |
| Joint stockbrokers   | - J.P. Morgan Cazenove<br>- Numis Securities Limited                                                                                                        |
| Auditors             | - Grant Thornton UK LLP                                                                                                                                     |
| Merchant bankers     | - Lazard & Co Limited                                                                                                                                       |
| Corporate solicitors | - Clifford Chance LLP<br>- Mishcon de Reya LLP                                                                                                              |

### CONTACT DETAILS

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## NOTES

STRATEGIC REPORT

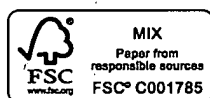
GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

## NOTES

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