



Helical Bar plc
Annual Report & Accounts 2006



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Front cover: Trinity Square,
Nottingham

Financial Highlights

Adjusted diluted net asset value per share Pence*

2002	155
2003	155
2004	177
2005	224
2006	278

Ordinary dividend per share Pence*

2002	2.75
2003	3.00
2004	3.32
2005	3.32
2006	3.65

*Adjusted for the 5 for 1 share on 1 September 2005

Five year summary

	Notes	IFRS 31.03.06 £m	IFRS 31.03.05 £m	UK GAAP 31.03.04 £m	UK GAAP 31.03.03 £m	UK GAAP 31.03.02 £m
Net rental income		16.5	20.4	23.0	25.6	27.8
Development profits		4.6	12.7	–	4.6	17.1
Trading profits		13.4	5.8	1.0	0.3	0.2
Adjusted profits before tax	1	13.6	20.5	11.7	16.7	20.3
Gain/(loss) on revaluation of investment property		35.7	30.1	24.2	(13.4)	18.5
Gain on sale of investment properties		7.8	14.1	2.0	2.1	2.5
Pre-tax profits		57.1	64.7	13.7	25.2	22.6
Return of cash/special dividend		2.4	97.2	–	–	28.4
Investment portfolio		294.6	271.3	334.9	342.5	439.9
Shareholders' funds		230.1	182.5	234.9	226.9	227.7
		pence	pence	pence	pence	pence
Dividend per ordinary share	4	3.65	3.32	3.32	3.00	2.75
Diluted earnings per share	4	51.8	53.7	7.9	11.8	11.8
Adjusted diluted net asset value per share	2/4	278	224	177	155	155
Adjusted diluted triple net asset value per share	3/4	284	219	161	141	133

Notes

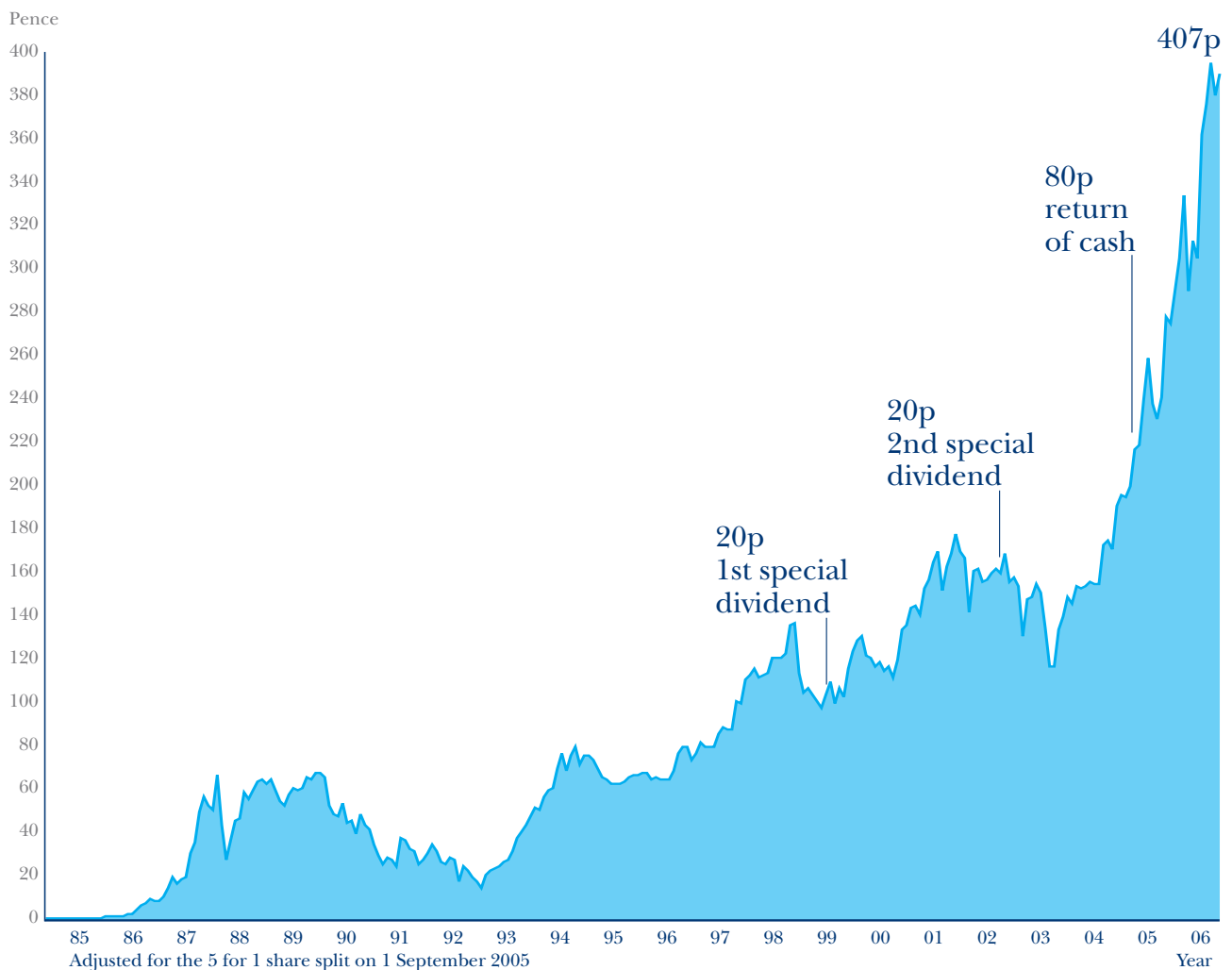
- Excludes profit on sale of investment properties and loss on sale of subsidiary.
- After adding back additional deferred taxation arising from the clawback of capital allowances on sale of investment properties, the deferred taxation on the revaluation surpluses of the investment portfolio and the fair value of financial instruments.
- Adjusted for the directors' valuation of trading stock but after adding back the deferred taxation referred to in 3 above.
- Comparative figures have been adjusted for the 5 for 1 share split on 1 September 2005.

Corporate Statement

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

“A property company’s share price should reflect growth in net assets per share”.

Share price chart



Chairman's Statement

In my first statement as Chairman I am pleased to report that for the second year running, Helical has produced 30% net asset value per share growth (including trading stock surplus). This reflects profits from a wide spread of projects and activities. We have continued to increase our diversification investing in 15 schemes in the UK as well as forming new joint ventures in Poland and with The Asset Factor.

Results Profits before tax, prepared under International Financial Reporting Standards ("IFRS") for the first time, reduced to £57.1m (2005: £64.7m), as lower levels of net rental income and development profits exceeded the rise in trading profits. The return of almost £100m to shareholders in December 2004, representing circa 40% of shareholder value, contributed to the reduction in profits this year. As a consequence, diluted earnings per share fell to 51.8p (2005: 53.7p).

The gain on sale and revaluation of the investment portfolio was steady at £43.6m (2005: £44.2m) reflecting a like for like valuation increase of 17.3% and sales of investment properties at 16.9% over 2005 book values.

The Group's adjusted net asset value per share rose by 24% (2005: 24%) to 278p (2005: 224p). This takes no account of any surplus on the £86m of trading and development stock which are held in our books, in accordance with normal practice, at the lower of cost and net realisable value. The directors' valuation of trading and development stock shows a surplus of £29m (2005: £13m) which, if taken into account, would increase adjusted net asset value per share to 309p (2005: 238p), an increase of 30%.

The Company's prospects for 2006/2007 are encouraging and allow the Board to recommend to shareholders a final dividend of 2.45p per share (2005: 2.20p), an increase of 11%. Under IFRS dividends are accounted for once declared and, as a consequence, this final dividend is not reflected in these accounts. However, taken with the interim dividend paid in December 2005 of 1.45p (2005: 1.32p) it represents a total dividend of 3.90p (2005: 3.52p), an increase of 11%.

International Financial Reporting Standards (IFRS)

These accounts are the first annual accounts to be prepared in accordance with IFRS. Included in the accounts are restated comparative figures for the year to 31 March 2005. Reconciliations to, and explanations of the differences between these figures and those previously reported under UK GAAP, are provided in note 2 of these accounts.

The adoption of IFRS has changed the presentation and format of the annual report. However, it has no impact on the cash flows of the business or its underlying performance.

Share capital On the 31 August 2005 shareholders approved a five for one share split effective from 1 September 2005. As a consequence the 18,424,385 ordinary 5p shares in existence on 1 September 2005 were divided into 92,121,925 ordinary 1p shares. The net asset value per share and earnings per share calculations for the current and comparative periods have all been adjusted accordingly.

Adjusted net asset value per share growth 2006

30%

Key property performance indicators and benchmarks

A property company's share price should reflect growth in net assets per share. Our Company's main objective is to maximise growth in assets from increases in investment portfolio values and from retained earnings from other property related activities. We incentivise management to outperform the Company's competitors by setting the right 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. For a number of years we have reported on these, the most important of which are:

Investment Property Databank The Investment Property Databank ("IPD") produces a number of independent benchmarks of property returns which are regarded as the main industry indices. They have compared the ungeared performance of Helical's total property portfolio against that of portfolios within IPD for the last 16 years. The Company's annual performance target is to exceed the top quartile of the IPD database. Helical's ungeared performance for the year to 31 March 2006 was 25.9% (2005: 28.5%) compared to the IPD median benchmark of 20.6% (2005: 17.2%) and upper quartile benchmark of 22.8% (2005: 20.3%).

IPD (all monthly and quarterly valued funds)

Ungeared returns

Total Returns	%	%	%	%	%
Annualised over	1 year	3 years	5 years	10 years	16 years
Helical	25.9	22.9	17.9	20.3	18.2
IPD Benchmark	20.6	16.4	13.0	12.8	9.2
Percentile rank	10	1	4	0*	0*

* "0" means the top ranked fund.

The returns on shareholder capital earned by Helical are generally higher than those measured by IPD due to the use of gearing. The returns noted above take no account of the £29m (2005: £13m) surplus of trading and development stock above book value arising from the directors' valuation.

Total Shareholder Return Total Shareholder Return ("TSR") measures the return to shareholders from share price movements and dividend income and is used to compare returns between companies listed on the Stock Exchange. Management is incentivised to exceed the top quartile of the real estate sector. Helical's TSR for the year to 31 March 2006 was 73.5% (2005: 35.6%) compared to the median of the listed real estate sector of 49.3% (2005: 25.4%).

Net asset value Net asset value per share represents the share of net assets attributable to each ordinary share. Whilst the basic and diluted net asset per share calculation provide a guide to performance the property industry prefers to use an adjusted diluted net asset per share. The adjustments necessary to arrive at this figure are shown in note 32 to these accounts.

Management is incentivised to exceed 15% pa growth in net asset value per share.

The adjusted diluted net asset value per share, excluding trading stock surplus, at 31 March 2006 was 278p (2005: 224p), an increase of 24%.

Including the surplus on valuation of trading and development stock, the adjusted diluted net asset value per share at 31 March 2006 was 309p (2005: 238p) an increase of 29.7% (2005: 31.2%). Adjusted triple net asset value per share rose by 29.6% (2005: 33.6%) to 284p (2005: 219p).

Total Shareholder Return measures the return to shareholders from share price movements and dividend income

	1 year from	3 years from	5 years from	10 years from	15 years from	20 years from
	31.3.05	31.3.03	31.3.01	31.3.96	31.3.91	31.3.86
	%	%	%	%	%	%
Total Shareholder Return						
Helical Bar plc	73.5	52.6	26.5	26.1	23.3	29.4
UK equity market	28.0	24.7	5.7	8.4	10.2	10.9
Listed real estate sector index	49.3	44.6	19.3	15.7	11.6	11.2
Direct property	20.9	17.2	13.8	13.0	11.1	11.4

Source: New Bridge Street Consultants/Datastream.

Chairman's Statement continued

Real Estate Investment Trust ("REIT") Legislation

The real estate sector has welcomed the Government's proposed legislation for the introduction of REIT's to the UK. This legislation is likely to be enacted in July 2006.

Companies converting to REIT status will benefit from a tax free status on their qualifying property activities, subject to meeting certain conditions. There is further consultation to be finalised before the new legislation is enacted, but it would appear unlikely that the Helical "model" which has generated trading and development profits equal to investment income, will qualify. Helical's consistent success throughout the last 22 years since inception suggests that we should not alter our modus operandi solely to reduce tax liabilities. We are confident that our model is strong enough to continue to outperform our peers on a net of tax basis.

The Board After serving the Company for almost 25 years, first as consultant with Laing & Cruickshank and, since 1986, as non-executive director and Chairman, John Southwell will step down from the Board at the 2006 AGM. In his time with the Company, John Southwell has been an instrumental part of a management team that has seen the share price increase from an equivalent 1p level to a share price on 15 June 2006 of 407p having paid out special dividends of 120p per share along the way. The Board would like to express its gratitude to John for his guidance, leadership and wise counsel over this long period at the helm of the Company.

During the year the Board was strengthened by two appointments. As mentioned in last year's accounts on 14 April 2005 Wilf Weeks joined as a non-executive director. Wilf specialises in Government Relations and is Chairman of European Public Affairs at Weber Shandwick. On 1 March 2006 Andrew Gulliford joined as a non-executive director. Andrew is a former Deputy Senior Partner of Cushman & Wakefield Healey & Baker where he headed up their Investment Group.

I believe that these two appointments improve the strength of the Board from both an operational and a corporate governance viewpoint.

Outlook Commercial property continues to deliver excellent returns as a result of yield compression. At some stage this will cease. In what will become a more challenging climate we will continue to obtain good results by adding value whether by refurbishment, redevelopment, active management on change of use via the planning process.

We have increased the number of our joint ventures enabling us to tap into specialist skills whether geographical or sectorial. All of this activity diversifies our risk and enables us to find deals at reasonable prices.

Helical has demonstrated its ability to outperform in good times and in bad. After a terrific run we believe that the rate of yield compression will slow and property returns will not be sustained at the exceptional levels of recent years. However, we believe our ability to outperform and provide good returns for our shareholders will continue.

Giles Weaver
Chairman

Below: Retail development in Poland



Total shareholder return in year to 31 March 2006

73.5%

Operating Review

Development Programme

Below: Commercial Road, Bournemouth



Development Programme

Helical's development objective is to create profit streams by focusing on large Central London office schemes, major mixed-use developments and retail schemes. As in the last cycle it is anticipated that the retail schemes will contribute to development profits before the larger office and mixed use schemes come on stream.

In the year under review the major components of development profits recognised have come from the retail development at Commercial Road, Bournemouth and the mixed use retail and student accommodation scheme at Trinity Square, Nottingham, with a contribution from a second phase at Stafford.

On the offices side, the Company continues to work on schemes at Ropemaker Place EC2, Mitre Square EC3, Clareville House SW1, as well as other Central London opportunities and in the longer term at White City and Amen Corner, Bracknell.

Development schemes – current and future programme

Offices	Approximate start date	Size Sq.ft.
City		
Mitre Square, London EC3	2008	350,000
Ropemaker Place, London EC2	2006	500,000
Central London – mixed use		
Clareville House, London SW1	2006	60,000
Wood Lane, White City	2008+	43 acres
Thames Valley		
Amen Corner, Bracknell	2010	500,000
Retail/mixed use		
Commercial Road, Bournemouth – completed	2005	48,000
Trinity Square, Nottingham	2005	235,000
Bluebrick, Wolverhampton	2006	170,000
Hatters Retail Park, Luton	2006	105,000
Town Centre Shirley, Solihull	2007	200,000
Shrub Hill, Worcester	2007	35,000

Office developments

Mitre Square, London EC3 At Mitre Square we are planning a 350,000 sq.ft. office scheme in a joint venture with Ansbacher Property Development Ltd. In July 2005 the City resolved to grant detailed planning consent for the scheme subject to completion of a S.106 agreement, which is currently being negotiated. Completing the site acquisition is underway and the design is being worked up. The project is planned to commence on site 2007 or 2008.

Ropemaker Place, London EC2 Demolition of the previous building was completed last September. Helical were acting as Development Manager for DB Real Estate. DB Real Estate sold the site to British Land in March and the Development Management Agreement has been assigned to British Land who are planning to start on site this year. The Agreement provides for a fixed fee and a profit share dependent upon outcome.

Wood Lane, White City, London W12 Working on behalf of the consortium of landowners the Company has, with Rem Koolhaas of The Office of Metropolitan Architecture and Arup, produced a masterplan scheme for the 43 acre site. We will be looking to obtain formal adoption of this masterplan within the next few months.

We are already proceeding with the production of an Environmental Impact Assessment with the intention of submitting, in early 2007, an outline planning application for a high density mixed use scheme of 5 million sq.ft. plus.

Below: Mitre Square, London EC3



Clareville House, London SW1 We are acting as Development Manager for Lattice Group Pension Scheme with regard to the proposed refurbishment of the existing listed building. A planning application has been submitted for a scheme involving 35,000 sq.ft. of offices, bar/nightclub of 17,000 sq.ft., restaurant of 4,000 sq.ft. and 2,000 sq.ft. of retail space. We are hoping to achieve planning consent shortly to allow a start on site at the beginning of 2007.

Amen Corner, Bracknell We hold a number of properties and options over land at Amen Corner, Bracknell and are promoting a gateway office development off the A329(M).

Future opportunities The Company is currently working on several new large projects in London which we hope to announce over the next few months.

Joint ventures

Helical Poland A joint venture vehicle has been established with Jonathan Tinker and Peter Evans both of whom are based in Warsaw and who have considerable experience acquired over a number of years of the Polish Property Market. The joint venture is concentrating exclusively on out of town retail developments. Currently three sites are under contract comprising circa 1 million sq.ft. of retail space.

The Asset Factor The Company announced during the year a new outsourcing joint venture called The Asset Factor. The Asset Factor is a joint venture with Matthew Punshon, Oliver Jones and Keith Perry all of whom have considerable experience of outsourcing. The venture will offer organisations integrated property asset management solutions with the aim of reducing costs, increasing efficiency and making their accommodation work for their business.

Residential developments

Lime Tree Village, Dunchurch, Rugby At Lime Tree Village, Dunchurch, Rugby we have refurbished, with our joint venture partners, a Victorian country house and are substantially through a programme constructing a retirement village of 153 bungalows, cottages and apartments. Phase 1 and 2 are complete and only a few units remain unoccupied. Work on the final phase commenced early in the new year and the first units have been released for sale. These have been well received at prices well in advance of phase 1 and 2. A fourth phase is being planned to commence 2008/2009.

Bramshott Place, Liphook At Bramshott Place, Liphook two resolutions to grant planning permission, one for a retirement village of 144 units and one for 150 open market units were granted by the local authority on 6 April subject to entering a S.106 Agreement.

The site has already been adopted by East Hampshire District Council in its Local Plan.

We anticipate the final consent to be granted around June 2006, whereupon the site will be sold to a housebuilder.

Maudsley Park, Great Alne Maudsley Park, Great Alne is a 314,000 sq.ft. industrial estate on a 20 acre site with potential for a retirement village development use.

Stratford District Council has accepted the Local Plan Inspector's recommendation and this site is now in policy terms a major development site in the green belt upon which new forms of development are appropriate. A planning brief is being prepared promoting a mixed use scheme of a nursing home, small nursery units to let and a retirement village of circa 230,000 sq.ft. together with a Country Club facility.

It is anticipated that the outcome of this planning application will be known in the autumn of 2006.

Below: Lime Tree Village, Dunchurch, Rugby



Development programme continued

Retail developments

56–76 Commercial Road, Bournemouth This £40m scheme was completed during the year and the units handed over to the retailers at the end of 2005 for fitting out. The redeveloped section, comprising 48,000 sq.ft. was let to Hennes, Zara, Republic and Ann Summers. The scheme was pre-sold to Irish investors, and also includes three retained shops let to Wallis, Dixons and Carphone Warehouse.

Trinity Square, Nottingham The £45m building contract was awarded to Shepherd Construction in 2005, and work is now well under way on this 10 storey scheme divided into two blocks. Completion of the works and trading by retailers is expected by the summer of 2007. The development comprises nearly 200,000 sq.ft. of retail accommodation, plus 700 student units and a multi storey car park. Nearly 60% of the retail accommodation has been pre-let to Borders, TK Maxx and Dixons. The entire scheme has been pre-sold to Morley for over £100m and their Beech Fund will operate the student accommodation.

Friary Retail Park, Stafford Phase 2 of this retail park was successfully completed in March of this year with the construction of a 4,000 sq.ft. unit for Laura Ashley Home Furnishings at the entrance to the scheme. The entire development of 42,400 sq.ft. is fully let to PC World, T K Maxx, Choices and Laura Ashley with rents now reaching £20 per sq.ft. reflecting the strong trading location. The park was funded by Arlington Investment Managers last year for £12m.

Bluebrick, Wolverhampton Building work has commenced on the first phase of the 11 acre site which is a major mixed-use regeneration scheme. Planning consent was received in spring 2006 and an infrastructure contract is underway to prepare the sites that have been pre-sold to Reg Vardy for a 20,000 sq.ft. car showroom and Whitbread for an 88 bed hotel and a 7,000 sq.ft. public house. The three acre residential site of 208 apartments is being marketed for sale and the listed Low Level Station buildings are under offer to a casino operator subject to obtaining a gaming licence. A further two phases are under discussion with potential tenants and with planning authorities.

Current retail development programme (sq.ft.)

745,000

Hatters Retail Park, Luton This former brownfield site of approx. 8.5 acres received planning consent last year for a mixed retail and industrial scheme. The site was acquired in two stages with the final purchase completing in October 2005. Phase 1 will comprise a bulky goods retail park of 80,000 sq.ft. and so far lettings have been secured with anchor tenants DFS, SCS, Carpetright and P Simon Furnishings. Two further units are under offer to Harveys and Pizza Hut. Enabling works on site were completed in April 2006 and the main contract will commence in the autumn with completion due April 2007. Phase 2 will comprise approximately 25,000 sq.ft. of industrial space split into small starter units with completion estimated for April 2008.

Parkgate, Shirley, Solihull The scheme which comprises 200,000 sq.ft. of retail anchored by an 80,000 sq.ft. Asda foodstore and some 200 apartments is being progressed through a 50:50 joint venture with Coltham Developments Ltd. Development agreements have been exchanged with Solihull Metropolitan Borough Council and Asda and a planning application has been submitted. Marketing of the retail units will commence in summer 2006 with a view to starting on site in summer 2007. A further phase offers the opportunity for a major leisure/residential project.

Shrub Hill, Worcester A purchase contract has been exchanged with First Bus on the four acre site close to the centre of Worcester which has the benefit of planning consent for 35,000 sq.ft. of retail warehousing and 45 apartments. A relocation site has been identified for the bus depot and vacant possession of the site should be achieved in spring 2007.

Gerald Kaye
Development Director

Below: Hatters Retail Park, Luton



Operating Review

Investment Portfolio

Below: C4.1, Milton Keynes



Investment Portfolio

The investment and trading portfolio had another good year with a like for like valuation increase of 17.3%, sales of investment properties at 16.9% over 2005 valuation and trading profits of £13.4m. In all, this produced an unleveraged total return of 27.2% as against 27.6% in the previous year. All figures exclude the surplus arising from the valuation of trading and development stock referred to in the Chairman's Statement.

Retail The first phase of our refurbishment of the 225,000 sq.ft. Morgan Department Store in Cardiff is due to complete in the autumn. Pre-lets to Borders and SportsWorld make up over 60% of the anticipated new income with two further lettings in solicitors' hands increasing this to 80%. The conversion of the top floors to 55 flats will complete next year. The Royal and Morgan Arcades, which form the final part of this holding, comprise 55 retail units which forge a link between the main public transport nodes and the proposed St David's 2 Shopping Centre.

Further growth was secured at our shopping centre in Letchworth with five new lettings setting rentals at double the level pertaining at the time of our purchase in 2003. Meanwhile, our retail holding at Chiswick was sold at circa 150% over original purchase cost having obtained a residential consent at the rear of the site and regeared the retail lease.

<i>Investment portfolio</i>	Like for like valuation increase	Average unexpired term years
In-town retail	22.1%	9.5
Out-of-town retail	28.7%	11.4
Offices	14.9%	7.8
Industrial	6.1%	8.3
Total	17.3%	8.7

<i>Valuation yields</i>	Initial	Reversionary	Equivalent	True equivalent
In-town retail	3.4%	6.3%	6.0%	6.2%
Out of town retail	4.4%	5.4%	5.3%	5.5%
Offices	6.8%	7.2%	6.6%	6.9%
Industrial	5.7%	7.8%	7.7%	8.1%
Total	5.3%	6.8%	6.4%	6.7%

Unleveraged total return on investment and trading portfolio

27.2%

Below: Morgan Department Store, Cardiff



A portfolio of 95 small off-licences acquired for £25.5m in 2005 was traded out at auction over the year to show a profit of circa £9m, over 30% on cost.

Our retail warehouse park in Weston-super-Mare was sold during the year for £42.65m. This price included the forward purchase of a new 29,000 sq.ft. unit, currently under construction and prelet to Wickes. The transaction showed a profit of circa 200% on 1999 purchase cost plus capital expenditure.

At Crowborough, a property acquired last year, we regared the occupational lease to Focus and sold on at a 30% profit on cost. Our retail warehouse in Sheffield, also acquired last year, was traded on to a residential developer at over 50% above purchase cost.

In joint venture with local developers Abbeygate we have recently commenced construction of the £100m C4.1 mixed use project in Milton Keynes. The retail element, a 110,000 sq.ft. supermarket, has been forward sold to Sainsbury's and the social element of the 440 unit residential scheme pre-sold to Genesis. We have also recently submitted a planning application in Milton Keynes for a 300,000 sq.ft. retail and leisure scheme anchored by furniture retailer ILVA on the site of our existing 120,000 sq.ft. Leisure Plaza.

Investment Properties

<i>Town Centre Retail</i>	Size (sq.ft.)	Average passing rent (psf)	Vacancy rate	Year acquired	Ownership interest/Comments
Morgans Department Store, Cardiff	160,000	£14	37%	2005	Prelets to Borders & SportsWorld
Morgan & Royal Arcades, Cardiff	65,000	£40ZA	3%	2005	
Garden Square, Letchworth	165,000	£45ZA	6%	2003	New lettings @ £65 psf ZA
East Grinstead	37,000	£9	0%		Adjoins proposed development
Glasgow Portfolio	23,000	£30	10%		
	450,000		16%		
<i>Out-of-town retail</i>					
Oxford Road Retail Park, Sevenoaks	43,000	£14	0%	2003	75% interest
Homebase, St Austell	36,000	£8	0%	2002	75% interest
Focus, Ashford	32,000	£15	0%	2004	75% interest
Focus, Paignton	24,000	£12	0%	2005	67% interest
Wickes, Worthing	26,000	£11	0%	2003	75% interest
	161,000	£12	0%		

Below: Leisure Plaza, Milton Keynes



Investment Portfolio *continued*

Investment Properties

<i>London Offices</i>					
	Size (sq.ft.)	Average passing rent (psf)	Vacancy rate	Ownership Year acquired	interest/ Comments
Rex House, SW1	80,000	£56	0%	2000	Leasehold expires 2035
Shepherds Building, W14	151,000	£20	0%	2000	90% interest
61 Southwark Street, SE1	66,000	£20	10%	1998	
Battersea Studios, SW8	53,000	£17	73%	2005	50% interest
Amberley Court, Crawley	31,000	£11	43%	2006	90% interest
	381,000	£28	16%		

Industrial

Hawtin Park, Blackwood	251,000	£2.85	63%	2003	
Aldridge, Walsall	208,000	£2.40	29%	2006	90% interest
Sawston, Cambridge	188,000	£4.40	0%	2003	67% interest
Golden Cross, Hailsham	102,000	£5.50	0%	2001	
Waterside, Fleet	54,000	£7.00	9%	1999	Residential potential
Standard Estate, N Woolwich	50,000	£9.00	35%	2002	60% interest
Mailcom, Milton Keynes	28,000	£6.00	0%	2004	Retail warehouse potential
	881,000	£4.10	27%		

Other

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

Offices At Shepherds Building we have in recent years converted a large 150,000 sq.ft. office building in an unconventional location in Shepherds Bush into a thriving media related hub. Over 50 tenants occupy units from 200 sq.ft. to 35,000 sq.ft. anchored around a communal bar café. We have a waiting list of tenants seeking to move into the building and lettings recently agreed show a 25% increase in rental value. We have now rolled this format out in Battersea where we have just finished converting a 60,000 sq.ft. disused TV Studios. Ten lettings have been secured to date and after the year end planning consent was granted for a further 50,000 sq.ft. of floorspace on site.

Our 80,000 sq.ft. Rex House in St James's, which was refurbished and let in 2001, has been enjoying a strong underlying rental recovery and has considerable marriage value potential – comprising a 30 year leasehold interest.

At 61 Southwark Street the location of our holding continues to improve with the imminent completion of the Bankside development nearby, adding to the Southbank's renaissance.

Below: Battersea Studios, SW8



Trading Properties

Address	Description	Year acquired	% interest
C4.1, Milton Keynes	110,000 sq.ft. supermarket + 440 residential units under construction	2006	50%
Leisure Plaza, Milton Keynes	119,000 sq.ft. leisure scheme with potential for retail warehouse use	2003	50%
Upper High Street, Epsom	Residential site with supermarket potential	2005	100%
Sandiacre, Nottingham	145,000 sq.ft. industrial with supermarket potential	2005	75%
Great Alne, Maudslay Park	314,000 sq.ft. industrial estate on a 20 acre site with potential for a retirement home use	2004	100%
Aycliffe & Peterlee	Industrial sites with residential or retail potential	1987	100%
Sawston, Cambridge	65,000 sq.ft. offices/industrial developed for owner occupier sales	2003	67%
Watlington Road, Oxford	73,000 sq.ft. offices/industrial in course of refurbishment/redevelopment for owner occupier sales	2005	80%
Kidlington, Oxford	140,000 sq.ft. industrial to be developed for owner occupier sales	2006	80%
Southall, West London	250,000 sq.ft. industrial to be developed for owner occupier sales	2006	80%
Millbrook, Southampton	135,000 sq.ft. industrial to be developed for owner occupier sales	2006	80%

Industrials During the year, sites have been acquired for schemes at Southall, West London (250,000 sq.ft.), Kidlington, Oxford (140,000 sq.ft.) and Southampton (135,000 sq.ft.) in joint venture with Chancerygate to develop small units for freehold sales.

Final sales were completed at our existing schemes in Slough and Edenbridge and good progress made on sales in Sawston, Cambridge (65,000 sq.ft./73% sold) and Cowley, Oxford (73,000 sq.ft./43% sold). Our site in Newmarket, acquired in 2005, was sold on to an owner occupier at a 25% profit on cost. All these projects are held as trading stock.

From within the investment portfolio we sold our holdings in Preston at 12% over valuation and 150% over historic purchase cost. We also sold just over half of our Woolwich estate at more than the whole cost of purchase in 2002 and subsequent refurbishment.

We are hopeful of securing this year a retirement village consent on our twenty acre industrial holding in Great Alne, Warwickshire. We also continue to make progress in pursuing a residential consent for our industrial estate in Fleet, having recently acquired an amenity site to overcome objections by English Nature. Over the year we assembled a site in Sandiacre, Nottingham acquiring three separate interests which is now under offer to be sold to a supermarket operator.

Michael Brown
Investment Director

Like-for-like valuation increase on investment and trading portfolio

17.3%

Financial Review

International Financial Reporting Standards (“IFRS”) In common with all companies listed on European Union stock exchanges, Helical adopted IFRS with effect from 1 April 2004, although for practical purposes these Reports and Accounts are the first to be prepared in accordance with IFRS. Included in these accounts are restated comparative figures for the year to 31 March 2005.

Prior to the adoption of IFRS, the financial statements of the Group had been prepared in accordance with the United Kingdom Generally Accepted Accounting Principles (“UK GAAP”). UK GAAP differs in certain respects from IFRS and certain accounting valuation and consolidation methods have been amended, when preparing these financial statements, to comply with IFRS. Reconciliations to, and explanations of the differences between these figures and those previously reported under UK GAAP are provided in note 2 of these accounts.

The adoption of IFRS has changed the presentation and format of the annual report. However, it has no impact on the cash flows of the business or its underlying performance.

The principal changes arising from the presentation of these accounts under IFRS are as follows:

Disclosure of financial information under IFRS A Consolidated Income Statement replaces the Consolidated Profit and Loss Account. This Income Statement provides a more detailed sectional analysis of gross profit and includes revaluation movements where previously they had been shown through the revaluation reserve. The impact on deferred tax associated with the revaluation movements are taken to the Income Statement whereas previously they were shown as unprovided contingent liabilities or assets. Movements in the fair value of financial instruments, previously disclosed as contingent assets and liabilities are now taken to the Income Statement and Balance Sheet.

The Consolidated Balance Sheet under IFRS analyses assets and liabilities between current and non-current.

The Consolidated Cash Flow Statement is restated to reconcile opening and closing cash balances, reconciling cash from operating activities with cash generated from investing and financial activities.

Changes in accounting policies under IFRS In addition to the changes in disclosure relating to investment property revaluation surpluses, their associated deferred tax liabilities, the fair value of financial instruments and deferred tax assets, the adoption of IFRS has resulted in changes to the accounting policies on goodwill, amortisation of rent free periods and other lease incentives and letting costs. The provisions of IFRS2 on Share Based Payments have also been applied in respect of equity settled awards granted since 7 November 2002 where those awards had not vested by 1 January 2005.

Details of the accounting policies adopted by the Group and Company under IFRS are included in note 1 on pages 23 to 25.

Share capital On 31 August 2005 shareholders approved a five for one share split effective from 1 September 2005. As a consequence the 18,424,385 ordinary 5p shares in existence on 1 September 2005 were divided into 92,121,925 ordinary 1p shares. Net asset values per share, earnings per share, dividends and share awards for the current and comparative periods have all been adjusted accordingly.

Consolidated Income Statement

Profits Profits before tax fell to £57.1m (2005: £64.7m) as reduced levels of net rental income and development profits exceeded the increase in trading profits.

Adjusted profits before tax, which excludes the gain on sale and revaluation of investment properties, fell to £13.6m (2005: £20.5m). Profits after tax and minority interest fell to £47.6m (2005: £65.5m).

Rental income Net rental income for the year fell to £16.5m (2005: £20.4m) reflecting the sale of let investment and trading properties and their replacement with vacant or partially let properties with refurbishment and rental growth prospects. During the year £110m of investment and trading properties, yielding £5.3m of rental income were sold. £40m was used to add to the investment portfolio and £37m was used to purchase income producing properties to be re-developed or traded. Together these currently produce a passing rent of £2.0m. Rent reviews and new lettings, net of lease expiries and rent free periods, added rental income of £1.4m on the remaining portfolio.

Rental costs increased from £2.3m to £3.6m, reflecting the costs of vacant space at properties undergoing refurbishment.

Trading and other profits Trading profits of £13.4m were up on last year (2005: £5.8m) and arose from the sale of a number of properties at Harlow, Sawston, Edenbridge, Newmarket, Dunstable, Oxford, Slough and Sheffield, as well as a portfolio of Unwins retail outlets.

Development profits The development programme produced profits at the retail schemes at Bournemouth, Nottingham and Stafford.

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Developments					
Profits	4,594	12,664	38	4,630	17,072

Share of results of joint ventures The major contributor to the results of the joint ventures during the period was the recognition of the remaining profit (net of tax) at the Homebase development at Winterhill, Milton Keynes.

Administrative expenses Administrative expenses increased from £15.8m to £16.6m due to an increased charge for share based payments offsetting a lower level of performance related cash bonuses. Administrative expenses, before impairment of goodwill and executive bonuses, increased to £6.1m (2005: £5.6m).

Gain on sale and revaluation of investment properties During the year to 31 March 2006 the Group sold investment properties with book values of £57.6m (2005: £124.2m) on which it made £7.8m (2005: £14.1m) of profit. The properties sold included the retail park at Weston-Super-Mare, a Focus DIY store at Crowborough, a retail unit in Chiswick and a number of industrial units at Woolwich, Sawston and Preston. The revaluation surplus for the year was £35.7m (2005: £30.1m).

Finance costs and finance income Lower levels of debt throughout the year reduced finance costs to £7.4m (2005: £8.7m), after capitalising £2.8m (2005: £2.3m) of interest. Finance income earned on cash deposits reduced from £1.9m to £1.3m.

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Net finance costs					
Interest payable on bank loans	7,638	8,330	7,548	9,543	14,804
Other interest payable	2,346	2,243	1,741	2,351	3,215
Finance arrangement costs	234	457	170	783	408
Interest capitalised	(2,797)	(2,296)	(1,817)	(795)	(1,006)
Interest receivable	(1,295)	(1,948)	(1,070)	(2,244)	(2,642)
	6,126	6,786	6,572	9,638	14,779

Taxation The corporation tax charge for the year is less than the standard rate of 30% due to the use of capital allowances and tax losses. It is expected that the corporation tax charge in the year to 31 March 2007 will be less than the standard rate of 30% due to the use of capital allowances.

The deferred tax charge for the year reflects a provision for tax on revaluation surpluses and on temporary differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases in accordance with IFRS.

Dividends The Board is recommending to shareholders at the Annual General Meeting on 20 July 2006 a final dividend of 2.45p per share (2005: 2.20p) to be paid on 21 July 2006 to shareholders on the register on 23 June 2006. This final dividend, amounting to £2.2m (2005: £1.8m) has not been included as a liability at 31 March 2006, in accordance with IFRS.

	IFRS 2006 pence	IFRS 2005 pence	UK GAAP 2004 pence	UK GAAP 2003 pence	UK GAAP 2002 pence
Dividends					
Interim	1.45	1.32	1.32	1.20	1.10
Prior period final	2.20	2.00	2.00	1.80	1.65
Total	3.65	3.32	3.32	3.00	2.75
Special	–	–	–	–	20.00
	3.65	3.32	3.32	3.00	22.75

In the year to 31 March 2005 a 400p per share dividend was paid to shareholders holding 14,143,020 A ordinary 5p shares as part of the Return of Cash on 23 December 2004.

Financial Review continued

Earnings per share Earnings per share in the year to 31 March 2006 were 54.7p (2005: 56.3p) per share and on a diluted basis were 51.8p (2005: 53.7p) per share.

	IFRS 2006 pence	IFRS 2005 pence	UK GAAP 2004 pence	UK GAAP 2003 pence	UK GAAP 2002 pence
Earnings per share	54.7	56.3	8.2	12.2	12.0
Diluted earnings per share	51.8	53.7	7.9	11.8	11.6
Adjusted diluted earnings per share	8.5	11.5	–	–	–

Adjusted diluted earnings per share excludes from earnings the IFRS effects of including the gain on sale and revaluation of investment properties and fair value movement on derivative financial instruments.

Consolidated Balance Sheet

Investment portfolio During the year investment properties with a book value of £57.6m were sold and partly replaced by £30.8m of new properties. In addition around £9.4m of capital expenditure was spent on refurbishing various office, industrial and retail buildings. At 31 March 2006 there was a revaluation surplus of £35.7m (2005: £30.1m) on the investment portfolio.

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Cost or valuation at 1 April	271,315	335,114	342,484	439,911	453,607
Additions at cost	45,100	30,314	50,464	47,175	32,838
Disposals	(57,565)	(124,210)	(82,178)	(131,168)	(65,062)
Revaluation	35,733	30,097	24,162	(13,434)	18,528
Cost or valuation at 31 March	294,583	271,315	334,932	342,484	439,911

Net asset values The adoption of IFRS, with effect from 1 April 2004, reduced net assets at that date by £15.9m, and by £10.5m as at 31 March 2005. The individual adjustments are included in note 2 d) on page 27.

The performance of the Group in the year to 31 March 2006 has increased equity shareholders' funds, on which the net asset value per share is calculated, by £47.6m and this has led to a 23% increase in diluted net assets per share to 253p and a 24% increase in adjusted diluted net assets per share to 278p. Taking into account the directors' valuation of trading and development stock of £29m (2005: £13m) the adjusted diluted net assets per share increased by 30% to 309p (2005: 238p).

	IFRS 2006 pence	IFRS 2005 pence	IFRS 2004 pence	UK GAAP 2003 pence	UK GAAP 2002 pence
Net asset values per ordinary share					
Diluted – 1	253	205	164	155	155
Adjusted diluted – 2	278	224	182	141	133
Adjusted diluted plus stock – 3	309	238	n/a	n/a	n/a

1 – net asset value diluted for share options.

2 – net asset value diluted for share options and adding back deferred tax on revaluation surpluses and capital allowances and fair value of financial instruments.

3 – net asset value as per 2, plus the surplus on directors' valuation of trading and development stock.

Borrowings and financial risk The Group's increased trading activity and net sales of investment property have continued the reduction in debt and, at 31 March 2006, net debt had fallen from £125.0m to £112.7m.

Taken with an increase in net assets of £43.9m, the reduction in net debt combined to reduce the Group's net gearing from 67% to 49%.

	IFRS 2006	IFRS 2005	UK GAAP 2004	UK GAAP 2003	UK GAAP 2002
Net debt and gearing					
Net debt	£112.7m	£125.0m	£129.8m	£140.9m	£152.4m
Gearing	49%	67%	55%	62%	67%

The Group seeks to manage liquidity risk by ensuring that there is sufficient financial liquidity to meet foreseeable needs and to invest surplus cash safely and profitably. At the year end, Helical had £56m of undrawn bank facilities and cash of £10.1m (2005: £28.2m). In addition it had £158m (2005: £130m) of uncharged property on which the Group could borrow funds.

As at 16 June 2006 Helical's average interest rate was 5.83%.

Performance Measures

Key performance indicators, such as the Company's performance against an Investment Property Databank ("IPD") benchmark, Total Shareholder Return and net asset value growth, are included in the Chairman's Statement. In addition, in order to evaluate its overall performance against other small to mid-size companies, both here and abroad, Helical looks at equity added value.

Equity value added

Year ended 31 March		IFRS 2006	IFRS 2005	UK GAAP 2004	UK GAAP 2003	UK GAAP 2002
Capital employed	£m	336	347	348	377	390
Return on capital	%	21.7	22.1	11.5	3.9	10.5
Weighted average cost of capital	%	6.9	6.7	7.0	6.1	6.3
Spread	%	14.8	15.4	4.5	(2.2)	4.2
Equity value added/(lost)	£m	49.6	53.4	15.6	(8.5)	19.6

Nigel McNair Scott
Finance Director

Consolidated Income Statement

Helical Bar plc and subsidiary undertakings for the year ended 31 March 2006

	Note	Year ended 31.3.06 £000	Year ended 31.3.05 £000
Revenue	3	119,274	101,469
Net rental income	4	16,524	20,440
Trading profits		13,441	5,771
Development profits		4,594	12,664
Share of results of joint ventures		437	2,699
Other operating income		235	235
Gross profit before gain on investment properties		35,231	41,809
Gain on sale and revaluation of investment properties	5	43,551	44,204
Gross profit		78,782	86,013
Administrative expenses	6	(16,582)	(15,757)
Operating profit		62,200	70,256
Finance costs	7	(7,421)	(8,734)
Finance income	7	1,295	1,948
Change in fair value of derivative financial instruments		1,046	1,225
Profit before tax		57,120	64,695
Tax	8	(9,676)	844
Profit after tax		47,444	65,539
– attributable to minority interests		(124)	17
– attributable to equity shareholders		47,568	65,522
Profit for the year		47,444	65,539
Basic earnings per share	12	54.7p	56.3p
Diluted earnings per share	12	51.8p	53.7p

Balance Sheets

Helical Bar plc and subsidiary undertakings at 31 March 2006

	Note	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Non-current assets					
Investment properties	13	294,583	271,315	–	–
Owner occupied property, plant and equipment	14	489	540	489	540
Investments	15	–	–	15,300	15,300
Investment in joint ventures	16	295	2,195	150	–
Goodwill	17	68	182	–	–
		295,435	274,232	15,939	15,840
Current assets					
Land, developments and trading properties	18	86,076	95,568	522	472
Available-for-sale investments	19	66	161	–	–
Trade and other receivables	20	33,925	41,528	310,148	226,147
Cash and cash equivalents	21	10,135	28,203	3,030	20,776
		130,202	165,460	313,700	247,395
Total assets		425,637	439,692	329,639	263,235
Current liabilities					
Trade payables and other payables	22	(49,506)	(75,833)	(183,277)	(174,159)
Tax liabilities		(3,394)	(5,787)	(1,743)	(4,919)
Redeemable preference shares	26	–	(2,451)	–	(2,451)
Borrowings	23	(42,683)	(21,136)	–	–
		(95,583)	(105,207)	(185,020)	(181,529)
Non-current liabilities					
Borrowings	23	(80,160)	(132,043)	–	–
Derivative financial instruments		(610)	(1,657)	–	–
Deferred tax provision	9	(19,005)	(14,438)	(276)	(124)
Obligations under finance leases	25	(182)	(182)	–	–
		(99,957)	(148,320)	(276)	(124)
Total liabilities		(195,540)	(253,527)	(185,296)	(181,653)
Net assets		230,097	186,165	144,343	81,582

Balance Sheets continued

Helical Bar plc and subsidiary undertakings at 31 March 2006

	Note	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Equity					
Called-up share capital	29	1,209	1,170	1,209	1,170
Share premium account	29	42,490	39,110	42,490	39,110
Revaluation reserve	29	64,820	54,530	–	–
Capital redemption reserve	29	7,478	7,467	7,478	7,467
Other reserves	29	291	291	1,987	1,987
Retained earnings	29	120,948	86,822	98,318	38,741
Investment in own shares	29	(7,139)	(6,893)	(7,139)	(6,893)
Equity attributable to equity holders of the parent		230,097	182,497	144,343	81,582
Minority interests		–	3,668	–	–
Total equity		230,097	186,165	144,343	81,582

The financial statements were approved by the Board of Directors on 16 June 2006.

M.E. Slade
Director

N.G. McNair Scott
Director

Statement of Recognised Income and Expense

Helical Bar plc and subsidiary undertakings for the year ended 31 March 2006

	Group Year ended 31.3.06 £000	Group Year ended 31.3.05 £000	Company Year ended 31.3.06 £000	Company Year ended 31.3.05 £000
Profit for the year	47,444	65,539	62,715	29,622
Fair value movements on available-for-sale investments	(14)	38	–	–
Total recognised income and expense for the year	47,430	65,577	62,715	29,622
– attributable to equity shareholders	47,554	65,560	62,715	29,622
– attributable to minority interest	(124)	17	–	–
	47,430	65,577	62,715	29,622

Group and Company Cash Flow Statements

	Group Year to 31.3.06 £000	Group Year to 31.3.05 £000	Company Year to 31.3.06 £000	Company Year to 31.3.05 £000
Cash flows from operating activities				
Operating profit	62,200	70,256	158	(616)
Depreciation	179	190	179	190
Gain on investment properties	(43,551)	(44,204)	–	–
Other non-cash items	(454)	(3,428)	(34)	(43)
Cash flows from operations before changes in working capital	18,374	22,814	303	(469)
Change in trade and other receivables	3,232	(14,375)	(60,932)	118,114
Change in land, developments and trading properties	11,989	(21,366)	(50)	(380)
Change in trade and other payables	(30,779)	42,188	9,340	(53,127)
Cash generated from operations	2,816	29,261	(51,339)	64,138
Finance costs	(10,256)	(10,408)	(123)	(453)
Finance income	1,295	1,942	7,525	7,490
Minority interest dividends paid	(3,545)	(1,249)	–	–
Dividends from joint ventures	2,337	846	2,488	–
Dividends from subsidiaries	–	–	31,205	45,403
Tax paid	(4,743)	(42)	(4,853)	(473)
	(14,912)	(8,911)	36,242	51,967
Cash flows from operating activities	(12,096)	20,350	(15,097)	116,105
Cash flows from investing activities				
Purchase of investment property	(39,055)	(54,515)	–	–
Sale of investment property	65,991	138,305	–	–
Purchase of shares	–	–	(311)	(7,104)
Purchase of shares by ESOP	(85)	(4,078)	(85)	(4,078)
Acquisitions	–	(124)	–	–
Sale of plant and equipment	47	47	47	47
Purchase of plant and equipment	(140)	(231)	(140)	(231)
	26,758	79,404	(489)	(11,366)
Cash flows from financing activities				
Issue of shares	3,418	3,965	3,418	3,965
Borrowings drawn down	35,146	51,114	–	–
Borrowings repaid	(65,647)	(46,255)	–	–
Equity dividends paid	(3,127)	(60,798)	(3,127)	(60,798)
Repurchase of shares	–	(4,467)	–	(4,467)
Return of Cash – B share repurchase	(2,451)	(32,465)	(2,451)	(32,465)
– expenses	–	(709)	–	(709)
Refinancing costs	(69)	(220)	–	–
	(32,730)	(89,835)	(2,160)	(94,474)
Net (decrease)/increase in cash and cash equivalents	(18,068)	9,919	(17,746)	10,265
Cash and cash equivalents at 1 April 2005	28,203	18,284	20,776	10,511
Cash and cash equivalents at 31 March 2006	10,135	28,203	3,030	20,776

Notes to the Financial Statements

1. Principal accounting policies – group and company

Basis of preparation The consolidated financial statements have, for the first time, been prepared in accordance with applicable International Financial Reporting Standards (“IFRS”), as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

The parent company’s financial statements have also been prepared in accordance with IFRS, as adopted by the European Union. The directors have taken advantage of the exemption offered by S.230 of the Companies Act not to present a separate income statement for the parent company.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available for sale investments and derivative financial instruments. The measurement bases and principal accounting policies of the Group are set out below.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (“UK GAAP”). The comparative information has been restated in accordance with IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are provided in note 2. The date of transition to IFRS was 1 April 2004.

The Group has taken advantage of certain exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy.

Basis of consolidation The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2006. Subsidiary undertakings are those entities over which the Group has the ability to govern the financial and operating policies through the exercise of voting rights.

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.

Revenue recognition Property revenue consists of gross rental income on an accruals basis, together with sales of trading and development properties, excluding sales of investment properties. Rental income receivable in the period from lease commencement to the earlier of lease expiry and any tenant option to break is spread evenly over that period. 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.

Revenue in respect of investment and other income represents investment income, fees and commissions earned on an accruals basis and profits or losses recognised 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.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges, sales are recognised when the conditions are satisfied.

Share-based payments The Group provides share-based payments in the form of share options, performance share plan awards and a share incentive plan. These payments are discussed in greater detail in the Directors’ Remuneration Report on pages 55 to 62.

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements. The Group uses a stochastic valuation model and the resulting value is amortised through the Consolidated Income Statement (“Income Statement”) over the vesting period of the share-based payments.

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

Depreciation In accordance with IAS40 Investment Property, depreciation is not provided for on freehold investment properties or on leasehold investment properties. The Group does not own the freehold land and buildings which it occupies. Costs incurred in respect of leasehold improvements to the Group’s head office at 11-15 Farm Street, London W1J 5RS are capitalised and held as short leasehold improvements. Leasehold improvements, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Residual values are reassessed annually.

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the Financial Statements continued

1. Principal accounting policies (continued)

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.

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.

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

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 and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, 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 included in other operating income in the Income Statement of the period in which they arise.

In accordance with IAS40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

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.

Investment in joint ventures Entities whose economic activities are controlled jointly by the Group and by other ventures independent of the Group are accounted for using the equity method of accounting. Under IFRS the Group's share of the results and of the net assets of the joint ventures are shown in the Income Statement and Consolidated Balance Sheet ("Balance Sheet") respectively. Under IFRS the Company's cost of investment in joint ventures is shown in the Company Balance Sheet.

Investments in subsidiaries Investments in subsidiaries are held in the Company balance sheet at cost and reviewed annually for impairment.

Goodwill Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the Income Statement.

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.

Investments Investments are classified as available-for-sale investments or trading investments dependent on the purpose for which they were acquired. Available-for-sale investments, being investments intended to be held for an indefinite period, are revalued to fair value at the balance sheet date. For listed investments, fair value is the bid market listed value ruling at the balance sheet date. Gains or losses arising from changes in fair value are included in the revaluation reserve except to the extent that losses are attributable to impairment, in which case they are recognised in the Income Statement. Upon disposal, accumulated fair value adjustments are included in the Income Statement.

Trade receivables Trade receivables do not carry any interest and are stated 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 cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, other short-term, highly liquid investments with original maturities of three months or less, net of bank overdrafts.

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 are initially recorded at fair value, net of finance and other costs yet to be amortised. Finance and other costs incurred in respect of the obtaining and maintenance of borrowings are accounted for on an accruals basis and written-off to the Income Statement over the length of the associated borrowings.

Borrowing costs directly attributable to the acquisition and construction of new development and investment properties are added to the costs of such properties until the earliest of:

- the date when the development or investment becomes fully let;
- the date when the income exceeds outgoings; and,
- the date of completion of the development or investment.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

1. Principal accounting policies (continued)

Derivative financial instruments Derivative financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group enters into derivative transactions such as interest rate caps and floors 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 as a finance cost.

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 IAS40, finance and operating 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.

Assets leased out under operating leases are included in investment property, with rental income recognised on a straight-line basis over the lease term.

Employee Share Ownership Plan Trust Shares held in the Helical Bar Employee Share Ownership Plan Trust ("ESOP") are shown as a deduction in arriving at equity funds. Assets, liabilities and reserves of the ESOP are included in the statutory headings to which they relate.

Use of estimates and judgements To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial accounts. These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring the use of estimates and critical judgement that may significantly impact on the Group's earnings and financial position are:

- revenue and cost recognition on developments where profits, recognised only when developments are sold and let, are spread over the construction period using estimates of the final outcome;
- valuation of investment properties, where external valuers are used to provide third party valuations;
- calculation of deferred tax liabilities, where indexation is used to reduce the provision for deferred tax on revaluation surpluses;
- calculation and assessment of recoverability of deferred tax assets, where it has been assumed that the provision for ESOP purchases of shares in the Company will be tax deductible on the vesting of share awards made by the Performance Share Plan; and,
- recognition of share-based payments charge, where it has been assumed that the share awards made under the terms of the Performance Share Plan will vest in full and require the purchase of shares in the Company by the ESOP.

2. Reconciliations between UK GAAP and IFRS

The principal changes arising from the presentation of the 31 March 2004 and 31 March 2005 results under IFRS are:

(a) Profit after tax

	Group Year to 31.3.05 £000	Company Year to 31.3.05 £000
As previously reported under UK GAAP	26,814	23,281
IFRS adjustments to profit before taxation	29,844	6,343
IFRS adjustments to taxation	8,881	(2)
IFRS profit after tax	65,539	29,622

Notes to the Financial Statements *continued*

2. Reconciliations between UK GAAP and IFRS (continued)

(b) Profit before tax

	Notes	Group Year to 31.3.05 £000	Company Year to 31.3.05 £000
As previously reported under UK GAAP		34,851	27,695
Goodwill amortisation	1	86	–
Amortisation of rent free periods and other lease incentives	2	(1,029)	–
Amortisation of letting costs	3	(82)	–
Share-based payments	4	(75)	–
Joint venture share of taxation	5	(570)	–
Revaluation gains on investment properties reported as income			
– subsidiaries	6	30,098	–
– associated companies	6	191	–
Movement in fair value of derivative financial instruments	7	1,225	–
Dividends	8	–	6,343
IFRS adjustments		29,844	6,343
IFRS profit before tax		64,695	34,038

Notes:

- Under IFRS, goodwill, representing the excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired, is capitalised and reviewed annually for impairment rather than amortised equally in annual instalments over its estimated useful life.
- Under IFRS, property lease rent free periods, stepped rents and other incentives are amortised over the full lease term rather than the period to first open market rent review.
- Under IFRS, the costs of letting properties are amortised over the lease term rather than the period to first open market rent review.
- Under IFRS, share-based payments are amortised over their vesting period and are recognised at fair value.
- Under IFRS, the joint venture share of taxation is netted off the Group's share of profit rather than disclosed in the Group's taxation charge.
- Under IFRS, gains and losses arising on revaluation of investment properties are recorded as operating income in the Income Statement rather than as a movement on reserves.
- Under IFRS, derivative financial instruments are carried in the balance sheet at fair value with gains or losses dealt with in the Income Statement.
- Under IFRS, proposed dividends, receivable and payable, are not recognised as assets and liabilities at the balance sheet date.

(c) Taxation

	Group Year to 31.3.05 £000	Company Year to 31.3.05 £000
Current tax		
Joint venture share of current tax	(570)	–
Deferred tax		
Investment property surpluses	(5,825)	–
Capital allowances	(93)	2
Financial instruments	368	–
Tenants incentives	(309)	–
Letting costs	(24)	–
Performance share plan award	(303)	–
Share option gains	(2,125)	–
Deferred tax adjustments	(8,311)	2
IFRS tax adjustments	(8,881)	2
As previously reported under UK GAAP	8,037	4,413
Tax as restated under IFRS	(844)	4,415

2. Reconciliations between UK GAAP and IFRS (continued)

(d) Net assets

	Notes	Group At 31.3.05 £000	Group At 01.4.04 £000	Company At 31.3.05 £000	Company At 01.4.04 £000
As previously reported under UK GAAP		196,712	238,615	102,458	177,176
Amortisation of rent free periods and other lease incentives	9	3,240	4,269	–	–
Amortisation of letting costs	10	1,606	1,687	–	–
Fair value of financial instruments	11	(1,657)	(2,882)	–	–
Tax effect of the above	12	(957)	(922)	–	–
Goodwill impairment	13	(491)	(576)	–	–
Share-based payment	14	(24)	51	–	–
Fair value of available-for-sale investments	15	38	–	–	–
Preference shares	16	(2,451)	–	(2,451)	–
Dividends	17	1,831	2,524	(18,407)	(24,058)
Provision for contingent tax liability					
– on revaluation surplus	18	(14,684)	(20,509)	–	–
– on capital allowances		(306)	(399)	(18)	(15)
– other temporary differences	19	3,308	880	–	–
IFRS adjustments		(10,547)	(15,877)	(20,876)	(24,073)
As at 31 March under IFRS		186,165	222,738	81,582	153,103

Notes:

- 9 Under IFRS, property lease rent free periods, stepped rents and other incentives are amortised over the full lease term rather than the period to first open market rent review.
- 10 Under IFRS, the costs of letting properties are amortised over the lease term rather than the period to first open market rent review.
- 11 Under IFRS, derivative financial instruments are carried in the balance sheet at fair value with gains or losses dealt with in the Income Statement.
- 12 Under IFRS, the impact on the Group's tax charge of the IFRS adjustments in 9, 10 and 11 is reflected in the deferred tax provision.
- 13 Under IFRS, goodwill representing the excess cost of acquisition over the fair value of the Group's share of identifiable net assets acquired, is capitalised and reviewed annually for impairment rather than amortised equally in annual instalments over its estimated useful life.
- 14 Under IFRS, share-based payments are amortised over their vesting period and are recognised at fair value.
- 15 Under IFRS, available-for-sale investments are valued at fair value rather than at historic cost.
- 16 Under IFRS, the non-cumulative preference shares of 1% each are treated as debt.
- 17 Under IFRS, proposed dividends, receivable and payable, are not recognised as assets and liabilities at the balance sheet date.
- 18 Under IFRS, provision is made for the deferred tax liability associated with the revaluation of investment properties and other temporary differences, whereas UK GAAP requires that the contingent liability on the sale of the property be disclosed as contingent tax but not provided in the balance sheet.
- 19 Under IFRS, deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

(e) Adjusted net asset value per share – group

	At 31.3.05 pence	At 01.04.04 pence
As previously reported	216	177
Amortisation period of lease incentives (net of tax)	2	2
Amortisation of letting costs (net of tax)	1	1
Dividend adjustment	2	2
Deferred tax on other timing differences	3	–
Restated under IFRS	224	182

(f) *Cash flows – group and company* Under IFRS, the cash flow statements reconcile the movements in cash and cash equivalents, whereas in the last audited UK GAAP financial statements they reconciled the movements in cash only. Other than this there are no material differences in the restated statements of cash flow from those previously reconciled.

Notes to the Financial Statements *continued*

3. Segmental information

	Investment and trading Year ended 31.3.06 £000	Developments Year ended 31.3.06 £000	Total Year ended 31.3.06 £000	Investment and trading Year ended 31.3.05 £000	Developments Year ended 31.3.05 £000	Total Year ended 31.3.05 £000
Revenue						
Rental income	20,102	–	20,102	22,745	–	22,745
Trading property sales	72,101	–	72,101	25,432	–	25,432
Developments	–	26,756	26,756	–	52,916	52,916
	92,203	26,756	118,959	48,177	52,916	101,093
Other			315			376
Revenue			119,274			101,469
All sales were within the UK. All revenue is attributable to continuing operations.						
Profit before tax	31.3.06 £000	31.3.06 £000	31.3.06 £000	31.3.05 £000	31.3.05 £000	31.3.05 £000
Net rental income	16,524	–	16,524	20,440	–	20,440
Trading profits	13,441	–	13,441	5,771	–	5,771
Development profits	–	4,594	4,594	–	12,664	12,664
Share of results of joint venture	437	–	437	2,699	–	2,699
Gain on sale of investment properties	43,551	–	43,551	44,204	–	44,204
	73,953	4,594	78,547	73,114	12,664	85,778
Other operating income			235			235
Gross profit			78,782			86,013
Unallocated administrative expenses			(16,582)			(15,757)
Unallocated net finance costs			(5,080)			(5,561)
Profit before tax			57,120			64,695
Balance sheet	31.3.06 £000	31.3.06 £000	31.3.06 £000	31.3.05 £000	31.3.05 £000	31.3.05 £000
Investment properties	294,583	–	294,583	271,315	–	271,315
Land, development and trading properties	45,508	40,568	86,076	60,857	34,711	95,568
	340,091	40,568	380,659	332,172	34,711	366,883
Borrowings	(122,843)	–	(122,843)	(153,179)	–	(153,179)
	217,248	40,568	257,816	178,993	34,711	213,704
Unallocated assets			44,978			72,809
Unallocated liabilities			(72,697)			(100,348)
Net assets			230,097			186,165

The segmental information has been provided in respect of the two main divisions of the Group, the investment and trading department and the development department. Details of capital expenditure are included in notes 13 and 14.

4. Net rental income

	Year ended 31.3.06 £000	Year ended 31.3.05 £000
Gross rental income	20,102	22,745
Rents payable	(489)	(396)
Other property outgoings	(3,089)	(1,909)
Net rental income	16,524	20,440

5. Gain on sale and revaluation of investment properties

	31.3.06 £000	31.3.05 £000
Net proceeds from the sale of investment properties	65,992	140,183
Book value (note 13)	(57,565)	(124,210)
Lease incentive and letting costs adjustment	(609)	(1,867)
Gain on sale of investment properties	7,818	14,106
Revaluation gains on investment properties	35,733	30,098
Gain on sale and revaluation of investment properties	43,551	44,204

6. Administrative expenses

	31.3.06 £000	31.3.05 £000
Administrative expenses	16,582	15,757
Operating profit is stated after:		
Staff costs during the year:		
– salaries and other remuneration	7,700	9,940
– social security costs	1,501	1,455
– other pension costs	287	76
	9,488	11,471
Depreciation:		
– owner occupied property, plant and equipment	179	190
Share-based payments charge	3,458	1,010
Auditors' remuneration:		
– audit services	137	110
– non-audit services (IFRS and internal controls advice)	16	47

Details of the remuneration of Directors' amounting to £13,358,000 (2005: £13,810,000) are included in the Directors' Remuneration Report on pages 55 to 62. The amount of the share-based payments charge incurred in relation to share awards made to Directors is £2,524,000 (2005: £747,000).

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 22 (2005: 22).

Notes to the Financial Statements continued

7. Finance costs and finance income

	Year ended 31.3.06 £000	Year ended 31.3.05 £000
Interest payable on bank loans and overdrafts	7,638	8,330
Other interest payable and similar charges	2,346	2,243
Finance arrangement costs	234	457
	10,218	11,030
Interest capitalised	(2,797)	(2,296)
Finance costs	7,421	8,734
Interest receivable and similar income	1,295	1,948
Finance income	1,295	1,948

8. Taxation on profit on ordinary activities

	31.3.06 £000	31.3.05 £000
The tax charge is based on the profit for the year and represents:		
United Kingdom corporation tax at 30% (2005: 30%)		
– Group corporation tax	5,983	6,100
– adjustment in respect of prior periods	–	1,913
Current tax charge	5,983	8,013
Deferred tax – capital allowances	(804)	(639)
– other temporary differences	(872)	(2,393)
– revaluation surpluses	5,369	(5,825)
Deferred tax	3,693	(8,857)
Tax on profit on ordinary activities	9,676	(844)

Factors affecting tax charge for period:

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

	31.3.06 £000	31.3.05 £000
Profit on ordinary activities before tax	57,120	64,695
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	17,136	19,409
Effect of:		
– Payments for use of tax losses	3,633	3,586
– Expenses not deductible for tax purposes	(263)	579
– Capital allowances not reflected through deferred tax	(591)	(787)
– Tax relief on share options	(2,260)	(3,891)
– Capital losses utilised	(7,879)	(19,646)
– Operating profit of joint ventures	(131)	(810)
– Prior year adjustment	–	1,509
– Other temporary differences	31	(793)
Total tax charge for period	9,676	(844)

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 capital allowances in respect of eligible expenditure on investment properties.

9. Deferred tax

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

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Capital gains	20,927	14,684	–	–
Capital allowances	2,175	2,105	276	124
Other temporary differences	(4,097)	(2,351)	–	–
Deferred tax provision	19,005	14,438	276	124

Under IAS12, 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 represent deferred tax assets arising from future tax relief available to the Group from capital allowances and when Performance Share Plan awards vest.

If upon sale of the investment properties the Group retained all the capital allowances the deferred tax provision in respect of capital allowances of £2.2m would be released and further capital allowances of £16.7m would be available to reduce future tax liabilities.

The provision in respect of capital gains tax has been reduced by indexation.

10. Dividends paid

	Year ended 31.3.06 £000	Year ended 31.3.05 £000
Attributable to equity share capital		
Ordinary		
– interim paid of 1.45p (2005: 1.32p) per share	1,296	1,702
– prior period final paid of 2.20p (2005: 2.00p) per share	1,831	2,524
Total ordinary paid 3.65p (2005: 3.32p) per share	3,127	4,226
A shares – Return of Cash		
– paid 23 December 2004	–	56,572
Total dividends paid in year	3,127	60,798

The interim dividend of 1.45p was paid on 22 December 2005 to shareholders on the register on 2 December 2005. The final dividend, if approved at the AGM on 20 July 2006, will be paid on 21 July 2006 to shareholders on the register on 23 June 2006. This final dividend, amounting to £2,174,000, representing 2.45p per share, has not been included as a liability at 31 March 2006.

11. Parent company

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in the financial statements. The profit for the year of the Company was £62,715,000 (2005: £29,622,000).

Notes to the Financial Statements *continued*

12. Earnings per share

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

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

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

	Year end 31.3.06 000's	Year end 31.3.05 000's
Ordinary shares in issue	90,506	135,740
Weighting adjustment	(3,540)	(19,430)
Weighted average ordinary shares in issue for calculation of basic earnings per share	86,966	116,310
Weighted average ordinary shares issued on exercise of share options	1,087	1,250
Weighted average ordinary shares to be issued on exercise of share options	2,535	4,185
Weighted average ordinary shares to be issued under performance share plan	1,296	250
Weighted average ordinary shares in issue for calculation of diluted earnings per share	91,884	121,995
	31.3.06 £000	31.3.05 £000
Earnings used for calculation of basic and diluted earnings per share	47,568	65,522
Basic earnings per share	54.7p	56.3p
Diluted earnings per share	51.8p	53.7p
Earnings used for calculation of basic and diluted earnings per share	47,568	65,522
Less gain on sale and revaluation of investment properties	(43,551)	(44,204)
Less fair value movement on derivative financial instruments	(1,046)	(1,225)
Add back deferred tax in respect of investment properties	4,565	(6,463)
Add back deferred tax in respect of derivative financial instruments	314	368
Earnings used for calculation of adjusted earnings per share	7,850	13,998
Adjusted earnings per share	9.0p	12.0p
Adjusted diluted earnings per share	8.5p	11.5p

13. Investment properties

	Freehold 31.3.06 £000	Leasehold 31.3.06 £000	Total 31.3.06 £000	Freehold 31.3.05 £000	Leasehold 31.3.05 £000	Total 31.3.05 £000
Group						
Fair value at 1 April	203,683	67,632	271,315	270,182	64,932	335,114
Additions at cost	39,800	5,300	45,100	29,324	990	30,314
Disposals	(57,565)	–	(57,565)	(117,853)	(6,357)	(124,210)
Revaluation surplus	25,533	10,200	35,733	22,030	8,067	30,097
Fair value at 31 March	211,451	83,132	294,583	203,683	67,632	271,315

Interest capitalised during the year in respect of the refurbishment of investment properties amounted to £300,000 (2005: £nil).

Interest capitalised in respect of the development of investment properties is included in investment properties to the extent of £1,313,000 (2005: £1,013,000).

The investment properties have been valued on an open market basis at 31 March 2006 as follows:

	£000
Cushman & Wakefield Healey & Baker, International Real Estate Consultants	194,200
DTZ Debenham Tie Leung, International Property Advisors	17,850
Jones Lang LaSalle, International Real Estate Consultants	75,400
Drivers Jonas, Chartered Surveyors	5,250
Directors' valuation	1,883
	294,583

The net surplus arising of £35,733,000 (2005: £30,097,000) has been transferred to the revaluation reserve.

The historical cost of investment property is £209,527,000 (2005: £201,919,000).

14. Owner occupied property, plant and equipment – group and company

	Short leasehold improvements 31.3.06 £000	Plant and equipment 31.3.06 £000	Total 31.3.06 £000	Short leasehold improvements 31.3.05 £000	Plant and equipment 31.3.05 £000	Total 31.3.05 £000
Company						
Cost at 1 April	646	853	1,499	646	820	1,466
Additions at cost	–	142	142	–	232	232
Disposals	–	(129)	(129)	–	(199)	(199)
Cost at 31 March	646	866	1,512	646	853	1,499
Depreciation at 1 April	458	501	959	412	551	963
Provision for the year	47	132	179	46	144	190
Eliminated on disposals	–	(115)	(115)	–	(194)	(194)
Depreciation at 31 March	505	518	1,023	458	501	959
Net book amount at 31 March	141	348	489	188	352	540

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

Notes to the Financial Statements continued

15. Investments

	Company 31.3.06 £000	Company 31.3.05 £000
At 1 April	15,300	8,337
Acquired during year	–	1,303
Further investment in existing subsidiaries	–	5,660
At 31 March	15,300	15,300

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

Name of undertaking	Nature of business	Percentage of ordinary share capital held
Aycliffe and Peterlee Development Company Ltd	Development and trading	100%
Aycliffe and Peterlee Investment Company Ltd*	Investment	100%
Baylight Developments Ltd*	Investment	100%
Dencora (Docklands) Ltd	Investment	100%
Dencora (Dunstable) Ltd	Trading	100%
Dencora (Edenbridge) Ltd	Trading	100%
Dencora (Harlow) Ltd	Trading	100%
Chancerygate (Albion) Ltd	Trading	100%
Chancerygate (Mill Street) Ltd	Trading	100%
HB Sawston No. 3 Ltd	Investment	100%
HB Dales Manor No. 3 Ltd	Investment	100%
HB Cambs No. 3 Ltd	Investment	100%
Harbour Developments (Bracknell) Ltd	Development	100%
Helical Bar (Berkeley Square) Ltd	Development	100%
Helical Bar (CL) Investments Ltd*	Investment	100%
Helical Bar Developments (South East) Ltd	Development and trading	100%
Helical Bar (Hawtin Park No. 3) Ltd	Investment	100%
Helical Bar (Rex House) Ltd	Investment	100%
Helical Bar Services Ltd	Management Services	100%
Helical Bar Trustees Ltd	Trustee of Share Incentive Plan	100%
Helical Bar (Wales) Ltd*	Investment	100%
Helical Properties Ltd	Investment and trading	100%
Helical Properties Investment Ltd	Investment	100%
Helical Properties Retail Ltd	Investment	100%
Helical Retail Ltd	Development and trading	100%
Helical Retail (RBS) Ltd*	Development and trading	100%
Helical (Cardiff) Ltd	Investment	100%
Helical (CR) Ltd	Development and trading	100%
Helical (Crowborough) Ltd	Investment	100%
Helical (Fleet) No. 2 Ltd*	Investment	100%
Helical (HIS) Ltd	Investment	100%
Helical (Letchworth) Ltd*	Investment	100%
Helical (Liphook) Ltd	Development (Jersey)	100%
Helical (Sevenoaks) Ltd	Investment	100%
Helical (St Austell) Ltd	Investment	100%
Helical (Wednesfield) Ltd	Investment	100%
Helical (Westfields) Ltd	Investment	100%
Helical (Worthing) Ltd	Investment	100%

15. Investments (continued)

Name of undertaking	Nature of business	Percentage of ordinary share capital held
Intercontinental Land and Development Co. Ltd*	Investment development and trading	100%
Networth Ltd*	Investment	100%
Maudslay Park Ltd	Development	100%
Prescot Street Investments Ltd	Investment	100%
56/76 CR (Holdings) Ltd	Development	100%
61 Southwark Street Ltd*	Investment	100%
Helical (Interchange) Ltd	Investment	100%
Helical Properties (WSM) Ltd*	Investment	75%

All principal subsidiary undertakings operate in the United Kingdom and, unless otherwise indicated, are incorporated and registered in England and Wales. A full list of all subsidiaries is lodged with the Annual Return at Companies House.

*Ordinary capital is held by a subsidiary undertaking.

16. Investment in joint ventures

	Group 31.3.06 £000	Group 31.3.05 £000
<i>Summarised income statements</i>		
Revenue	1,067	3,078
Operating profit	997	3,269
Net finance costs	(285)	-
Profit before tax	712	3,269
Tax	(275)	(570)
Profit after tax	437	2,699
<i>Summarised balance sheets</i>		
Non-current assets	8	-
Current assets	5,562	7,861
Current liabilities	(2,792)	(3,184)
Non-current liabilities	(2,483)	(2,482)
Net assets	295	2,195

The cost of the Company's investment in joint ventures was £150,000 (2005: £nil).

At 31 March 2006 the Group and the Company had interests in the following joint venture companies:

	Country of incorporation	Class of share capital held	Proportion held Group	Proportion held Company	Nature of business
Abbeygate Helical (Leisure Plaza) Ltd	United Kingdom	Ordinary	50%	50%	Property development
Abbeygate Helical (Winterhill) Ltd	United Kingdom	Ordinary	50%	50%	Property development
Grosvenor Hill (Sprucefields) Ltd	United Kingdom	Ordinary	50%	50%	Property investment
The Asset Factor Ltd	United Kingdom	Ordinary	50%	50%	Outsourcing
Shirley Advance LLP	United Kingdom	n/a	50%	50%	Property development

Notes to the Financial Statements continued

17. Goodwill

	Group At 31.3.06 £000	Group At 31.3.05 £000
Cost at 1 April	1,515	1,391
Additions	–	124
Cost at 31 March	1,515	1,515
Impairment at 1 April	1,333	1,095
Impairment for the year	114	238
Impairment at 31 March	1,447	1,333
Fair value at 31 March	68	182

The carrying values of the Group's goodwill is reassessed at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If analysis indicates that the carrying value is too high, then this is reduced to its recoverable amount which is the higher of fair value and its value in use.

18. Land, developments and trading properties

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Development sites	40,568	34,711	522	472
Properties held as trading stock	45,508	60,857	–	–
	86,076	95,568	522	472

The directors' valuation of trading and development stock shows a surplus of £29m above book value (2005: £13m).

Interest capitalised in respect of the development of sites is included in stock to the extent of £2,867,000 (2005: £2,185,000).

Interest capitalised during the year in respect of development sites amounted to £2,497,000 (2005: £2,296,000).

19. Available-for-sale investments

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
UK listed investments at fair value	66	161	–	–
	66	161	–	–

20. Trade and other receivables

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Trade receivables	13,156	16,056	406	423
Amounts owed by joint venture undertakings	3,712	2,939	2,616	2,939
Amounts owed by subsidiary undertakings	–	–	301,370	219,956
Other receivables	2,287	9,040	1,507	1,232
Prepayments and accrued income	14,770	13,493	4,249	1,597
	33,925	41,528	310,148	226,147

Included in prepayments is £nil (2005: £3.6m) which relates to payments made by the Group to potentially reduce capital gains tax liabilities. The prepayment has been written off as part of the Group's tax charge in proportion to the capital losses utilised.

21. Cash and cash equivalents

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Rent deposits and cash held at managing agents	1,980	2,612	–	–
Cash secured against debt and cash held at solicitors	189	2,368	–	–
Cash held to fund future development costs	382	364	–	–
Cash deposits	7,584	22,859	3,030	20,776
	10,135	28,203	3,030	20,776

22. Trade payables and other payables

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Trade creditors	8,424	32,149	857	146
Social security costs and other taxation	(262)	1,574	–	1,465
Amounts owed to joint venture undertakings	–	–	114	–
Amounts owed to subsidiary undertakings	–	–	180,923	171,011
Other payables	7,634	7,336	187	358
Accruals and deferred income	33,710	34,774	1,196	1,179
	49,506	75,833	183,277	174,159

23. Borrowings

	Group 31.3.06 £000	Group 31.3.05 £000	Company 31.3.06 £000	Company 31.3.05 £000
Current borrowings	42,683	21,136	–	–
Bank loans repayable within:				
– one to two years	24,355	32,060	–	–
– two to three years	31,988	45,535	–	–
– three to four years	14,324	37,356	–	–
– four to five years	5,200	17,500	–	–
– after five years	4,536	–	–	–
	80,403	132,451	–	–
Deferred arrangement costs	(243)	(408)	–	–
Non-current borrowings	80,160	132,043	–	–

Bank overdrafts and term loans in creditors falling due within one year and after one year are secured against properties held in the normal course of business by subsidiary undertakings to the value of £205,070,000 (2005: £237,942,000). 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 £2,500,000 (2005: £2,500,000).

Notes to the Financial Statements continued

24. Financing and financial instruments

The policies for dealing with liquidity and interest rate risk are noted in the Financial Review on page 16.

	Group 31.3.06 £000	Group 31.3.05 £000
Bank overdraft and loans – maturity		
Due after more than one year	80,160	132,043
Due within one year	42,683	21,136
	122,843	153,179

The Group has various undrawn committed borrowing facilities. The facilities available at 31.3.06 in respect of which all conditions precedent had been met were as follows:

	Group 31.3.06 £000	Group 31.3.05 £000
Expiring in one year or less	45,000	30,578
Expiring in more than one year but not more than two years	2,011	–
Expiring in more than two years	8,691	20,625
	55,702	51,203

Interest rates

	%	Expiry	31.3.06 £000	%	Expiry	31.3.05 £000
Fixed rate borrowings:						
– fixed	9.050	Feb 2009	7,388	9.050	Feb 2009	7,913
– swap rate plus bank margin	4.965	Mar 2007	5,925	4.965	Mar 2007	5,925
– swap rate plus bank margin	5.846	Jun 2006	3,500	5.846	Jun 2006	3,500
– swap rate plus bank margin	5.819	Sep 2007	3,460	5.819	Sep 2007	3,460
– swap rate plus bank margin	5.939	Sep 2009	14,324	5.939	Sep 2009	17,500
– swap rate plus bank margin	6.329	Feb 2008	5,800	6.329	Feb 2008	5,800
– swap rate plus bank margin	5.439	Jun 2011	4,536	5.901	Dec 2007	26,750
– swap rate plus bank margin	5.759	Nov 2010	5,200	6.004	Oct 2008	3,100
Weighted average	6.279	Feb 2009	50,133	6.311	May 2008	73,948
Floating rate borrowings			72,953			79,639
Total borrowings			123,086			153,587
Deferred arrangement costs			(243)			(408)
			122,843			153,179

Floating rate borrowings bear interest at rates based on LIBOR.

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

Instrument	Value £000	Rate %	Start	Expiry
Current:				
– cap	80,000	7.000	Jan. 2006	Sep. 2009

24. Financing and financial instruments (continued)

Gearing

	31.3.06 £000	31.3.05 £000
Total borrowings	122,843	153,179
Cash	(10,135)	(28,203)
Net borrowings	112,708	124,976
Net borrowings exclude the Group's share of borrowings in joint ventures of £2,500,000 (2005: £2,500,000).		
	31.3.06 £000	31.3.05 £000
Net assets	230,097	186,165
Gearing	49%	67%

25. Obligations under finance leases

	31.3.06 £000	31.3.05 £000
Lease payments under finance leases fall due:		
Not later than one year	14	14
Later than one year and not later than five years	46	46
Later than five years	122	122
Present value of finance lease obligations	182	182

26. Share capital

	31.3.06 £000	31.3.05 £000
Authorised	39,577	39,577
	39,577	39,577

The authorised share capital of the Company is £39,576,626.60 divided into ordinary shares of 1p each, 5.25p convertible cumulative redeemable preference shares 2012 of 70p each, deferred shares of ½p each.

	31.3.06 £000	31.3.05 £000
Allotted, called up and fully paid		
– 94,371,925 ordinary shares of 1p each (2005: 18,101,164 ordinary shares of 5p each)	944	905
– 212,145,300 deferred shares of ½p each	265	265
	1,209	1,170

Notes to the Financial Statements continued

26. Share capital (continued)

As at 1 April 2005 the Company had 18,101,164 ordinary 5p shares in issue. On 17 June 2005 options over 323,221 ordinary 5p shares were exercised increasing the issued share capital of the Company to 18,424,385 ordinary 5p shares. On 1 September 2005, following approval by shareholders at an EGM on 31 August 2005, each 5p share was split into five 1p shares. Following this share split there were 92,121,925 ordinary 1p shares in issue. On 7 September options over 1,750,000 ordinary 1p shares were exercised. On 16 December options over 300,000 ordinary 1p shares were exercised. On 6 January 2006 options over 102,173 ordinary 1p shares were exercised. On 13 January 2006 options over 97,827 ordinary 1p shares were exercised. At 31 March 2006 there were 94,371,925 ordinary 1p shares in issue.

	Shares in issue 31.3.06 Number	Share capital 31.3.06 £000	Shares in issue 31.3.05 Number	Share capital 31.3.05 £000
Ordinary shares				
At 1 April	18,101,164	905	27,147,903	1,357
New shares issued	323,221	16	538,622	27
Shares purchased	–	–	(530,000)	(26)
At 20 December 2004			27,156,525	1,358
21 December 2004 – share consolidation	–	–	17,731,164	887
New shares issued	–	–	370,000	18
At 31 August 2005	18,424,385	921	–	–
1 September 2005 share split – five 1p shares for each one 5p share	92,121,925	921	–	–
New shares issued	2,250,000	23	–	–
At 31 March	94,371,925	944	18,101,164	905
Preference shares				
At 1 April	612,704	2,451	–	–
New shares issued	–	–	10,586,829	42,347
Shares purchased	(612,704)	(2,451)	(9,974,125)	(39,896)
At 31 March	–	–	612,704	2,451
Deferred shares				
At 1 April	212,145,300	265	–	–
New shares issued	–	–	212,145,300	265
Shares purchased	–	–	–	–
At 31 March	212,145,300	265	212,145,300	265

The non-cumulative preference shares of 1½p each are disclosed in current liabilities at 31 March 2005.

27. Share options

Share options At 31 March 2006 unexercised options over 3,655,510 (2005: 7,521,615) new ordinary 1p shares in the Company and 6,234,695 (2005: 6,484,695) purchased ordinary 1p shares held by the ESOP had been granted to Directors and employees under the Company's share option schemes. During the period no new options were granted. Options over 323,221 new ordinary 5p shares, 2,250,000 new ordinary 1p shares and 250,000 purchased ordinary 1p shares were exercised.

	Exercise price per share pence	Number of shares	Date from which exercisable	Expiry date of options
Senior Executive 1988 Share Option Scheme				
<i>Purchase options</i>				
Options granted:				
– 27 November 1997	90.5	55,000	27 Nov. 2001	26 Nov. 2007
– 10 July 1998	113.0	2,000,000	10 Jul. 2002	9 Jul. 2008
Helical Bar 1999 Share Option Scheme				
<i>Subscription options</i>				
Options granted:				
– 8 March 1999	88.5	2,990,525	8 Mar. 2004	7 Mar. 2009
– 8 January 2001	156.0	150,000	8 Jan. 2006	7 Jan. 2011
– 21 November 2002	141.5	299,310	21 Nov. 2007	20 Nov. 2012
<i>Purchase options</i>				
Options granted:				
– 8 March 1999	88.5	215,000	8 Mar. 2004	7 Mar. 2009
– 18 December 2000	150.0	2,645,000	18 Dec. 2005	17 Dec. 2010
– 8 January 2001	156.0	170,510	8 Jan. 2006	7 Jan. 2011
– 15 November 2001	153.3	1,149,185	15 Nov. 2006	14 Nov. 2011
Helical Bar 1999 Approved Share Option Scheme				
<i>Subscription options</i>				
Options granted:				
– 8 March 1999	88.5	194,475	8 Mar. 2002	7 Mar. 2009
– 21 November 2002	141.50	21,200	21 Nov. 2005	20 Nov. 2012
		9,890,205		

	Number 31.3.06	Weighted average exercise price 31.3.06	Number 31.3.05	Weighted average exercise price 31.3.05
At 1 April	14,006,310	112p	18,874,420	105p
Options granted	–	–	–	–
Options exercised	(4,116,105)	89p	(4,868,110)	87p
Option expired/lapsed	–	–	–	–
At 31 March	9,890,205	121p	14,006,310	112p

Notes to the Financial Statements continued

28. Share-based payments

The Company provides share-based payments to employees in the form of share options, performance share plan awards and a share incentive plan. All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements. The Company uses a stochastic valuation model and the resulting value is amortised through the Income Statement over the vesting period of the share-based payments.

Share options granted after 7 November 2002

	Options	2006 Weighted average exercise price	Options	2005 Weighted average exercise price
Outstanding at beginning and end of period	320,510	141.50	320,510	141.50
	320,510		320,510	

The options outstanding at 31 March 2006 had a weighted average remaining contractual life of six years and eight months.

The input into the stochastic model of valuation of the options were as follows:

	2006	2005
Weighted average share price	146.72	146.72
Weighted average exercise price	141.50	141.50
Expected volatility	16%	16%
Expected life	6 years	6 years
Risk free rate	4.48%	4.48%
Expected dividends	1.99%	1.99%

Expected volatility was determined by calculating the historical volatility of the Company's shares over the last six years. The expected life used in the model has been adjusted, based on the Company's best estimate, for the effects of employee changes (subject to good leaver provisions), exercise restrictions and behavioural considerations.

Performance share plan awards

	Awards	2006 Weighted average award value	Awards	2005 Weighted average award value
Outstanding at beginning of period	2,549,760	192p	–	–
Awards made during the period	1,964,620	277p	2,549,760	192p
Outstanding at end of period	4,514,380	229p	2,549,760	192p

The performance share plan awards outstanding at 31 March 2006 had a weighted average remaining contractual life of two years nine months.

The inputs into the stochastic model of valuation of the PSP awards were as follows:

	2006	2005
Weighted average share price	229p	229p
Weighted average exercise price	–	–
Expected volatility	n/a	n/a
Expected life	3 years	3 years
Risk free rate	n/a	n/a
Expected dividends	1.53%	1.53%

The Company recognised total expenses of £3,458,000 (2005: £1,010,000) in relation to share-based payments.

29. Statement of changes in equity

	Share capital £000	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Investment in own shares £000	Total £000
At 1 April 2004	1,357	35,900	68,814	7,246	291	115,538	(10,106)	219,040
Issue of shares	45	3,210	-	-	-	-	-	3,255
Purchase of shares	(26)	-	-	221	-	(46,802)	(3,776)	(50,383)
Revaluation surplus	-	-	36,114	-	-	(36,114)	-	-
Realised on disposals	-	-	(49,438)	-	-	49,438	-	-
Return of cash	(206)	-	-	-	-	-	7,431	7,225
Provision released	-	-	-	-	-	-	(442)	(442)
Total recognised income	-	-	-	-	-	65,577	-	65,577
Dividends paid	-	-	-	-	-	(60,798)	-	(60,798)
Minority interest	-	-	(960)	-	-	(17)	-	(977)
Performance share plan	-	-	-	-	-	707	-	707
Provision for ESOP purchase	-	-	-	-	-	(707)	-	(707)
At 31 March 2005	1,170	39,110	54,530	7,467	291	86,822	(6,893)	182,497
Issue of shares	39	3,380	-	-	-	-	-	3,419
Revaluation surplus	-	-	30,364	-	-	(30,364)	-	-
Realised on disposals	-	-	(20,074)	-	-	20,074	-	-
Total recognised income	-	-	-	-	-	47,430	-	47,430
Dividends paid	-	-	-	-	-	(3,127)	-	(3,127)
Minority interest	-	-	-	-	-	124	-	124
Purchase of shares	-	-	-	11	-	(11)	(472)	(472)
Share options exercised	-	-	-	-	-	-	226	226
Performance share plan	-	-	-	-	-	3,128	-	3,128
Provision for ESOP purchase	-	-	-	-	-	(3,128)	-	(3,128)
At 31 March 2006	1,209	42,490	64,820	7,478	291	120,948	(7,139)	230,097

The provision released in the year to 31 March 2005 of £442,000 is in respect of the shares held by the Helical Bar Employee Share Ownership Plan Trust ("ESOP").

The adjustment to retained earnings of £3,128,000 (2005: £707,000) adds back the share based payments charge, net of tax, in accordance with IFRS 2 Share Based Payments. The Group has made a provision of £3,835,000 (2005: £707,000) in respect of future purchases of shares by the ESOP in anticipation of the vesting of share awards under the Group's Performance Share Plan.

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 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 – is distributable and represents the accumulated profit of the Group

Investment in own shares – represents the shares purchased by the Helical Bar Employees' Share Ownership Plan Trust

Notes to the Financial Statements continued

29. Statement of changes in equity (continued)

	Share capital £000	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Investment in own shares £000	Total £000
Company								
At 1 April 2004	1,357	35,900	–	7,246	1,987	116,719	(10,106)	153,103
Issue of shares	45	3,210	–	–	–	–	–	3,255
Purchase of shares	(26)	–	–	221	–	(46,802)	(3,776)	(50,383)
Return of cash	(206)	–	–	–	–	–	7,431	7,225
Total recognised income	–	–	–	–	–	29,622	–	29,622
Provisions released	–	–	–	–	–	–	(442)	(442)
Dividends paid	–	–	–	–	–	(60,798)	–	(60,798)
At 31 March 2005	1,170	39,110	–	7,467	1,987	38,741	(6,893)	81,582
Issue of shares	39	3,380	–	–	–	–	–	3,419
Total recognised income	–	–	–	–	–	62,715	–	62,715
Dividends paid	–	–	–	–	–	(3,127)	–	(3,127)
Shares purchased	–	–	–	11	–	(11)	(472)	(472)
Share options exercised	–	–	–	–	–	–	226	226
At 31 March 2006	1,209	42,490	–	7,478	1,987	98,318	(7,139)	144,343

30. Investment in own shares

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

The Trust purchases shares in the Company to satisfy the Company's obligations under its Share Option Schemes and Performance Share Plan.

At 31 March 2006 the Trust held 5,648,080 (2005: 5,695,580) ordinary 1p shares in Helical Bar plc.

At 31 March 2006 options over 6,234,695 (2005: 6,484,695) ordinary 1p shares in Helical Bar plc had been granted through the Trust. At 31 March 2006 awards over 4,514,380 (2005: 2,549,750) ordinary 1p shares in Helical Bar plc had been made under the terms of the Performance Share Plan.

31. Contingent liabilities

The Company has entered into cross guarantees in respect of the banking facilities of its subsidiaries.

Other than these contingent liabilities there were no contingent liabilities at 31 March 2006 (2005: nil).

32. Net assets per share

	31.3.06 £000	Number* of shares 000s	31.3.06 pence per share	31.3.05 £000	Number* of shares 000s	31.3.05 pence per share
Net asset value	230,097	88,724		182,497	84,810	
Less: deferred shares	(265)			(265)		
Basic net asset value	229,832	88,724	259	182,232	84,810	215
Add: unexercised share options	3,506	3,655		6,925	7,522	
Diluted net asset value	233,338	92,379	253	189,157	92,332	205
Adjustment for:						
– deferred tax on capital allowances	2,175			2,105		
– deferred tax on capital gains	20,927			14,684		
– fair value of financial instruments	427			1,160		
Adjusted diluted net asset value	256,867	92,379	278	207,106	92,332	224
Adjustment for:						
– directors' valuation of trading stock	28,704			12,884		
Adjusted diluted net asset value plus stock surplus	285,571	92,379	309	219,990	92,332	238
Adjustment for:						
– deferred tax on capital allowances	(2,175)			(2,105)		
– deferred tax on capital gains	(20,927)			(14,684)		
– fair value of financial instruments	(427)			(1,160)		
Adjusted diluted triple NAV	262,042	92,379	284	202,041	92,332	219

*The shares held by the Company's ESOP Trust are excluded from this calculation.

Notes to the Financial Statements continued

33. Related party transactions

At 31 March 2006 and 31 March 2005 the following amounts were due from the Group's joint ventures

	At 31.3.06 £000	At 31.3.05 £000
Abbeygate Helical (Leisure Plaza) Ltd	572	352
Abbeygate Helical (Winterhill) Ltd	(895)	238
Grosvenor Hill (Sprucefield) Ltd	(4)	(4)
Shirley Advance LLP	3,921	2,353
The Asset Factor Ltd	119	–

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

At 31 March 2006 and 31 March 2005 there were the following balances between the Company and its subsidiaries.

	At 31.3.06 £000	At 31.3.05 £000
Amounts due from subsidiaries	301,370	219,956
Amounts due to subsidiaries	180,923	171,011

During the years to 31 March 2006 and 31 March 2005 there were the following transactions between the Company and its subsidiaries:

	Year ended 31.3.06 £000	Year ended 31.3.05 £000
Management charges	2,513	1,621
Interest receivable	6,358	5,665
Interest payable	–	332

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.

Ten Year Review

	IFRS 31.3.06 £000	IFRS 31.3.05 £000	UK GAAP 31.3.04 £000	UK GAAP 31.3.03 £000	UK GAAP 31.3.02 £000	UK GAAP 31.3.01 £000	UK GAAP 31.3.00 £000	UK GAAP 31.3.99 £000	UK GAAP 31.3.98 £000	UK GAAP 31.3.97 £000
Revenue	119,274	101,469	54,566	135,192	136,632	165,259	149,922	121,244	214,416	100,529
Net rental income	16,524	20,440	22,980	25,619	27,827	25,532	23,652	18,475	18,598	18,759
Trading profits	13,441	5,771	1,031	349	154	920	372	72	4,363	2,359
Development profits	4,594	12,664	38	4,630	17,072	29,507	19,345	21,601	16,686	9,152
Share of results of joint ventures	437	2,699	1,636	1,544	986	86	-	-	-	-
Other income	235	235	601	626	(67)	342	113	(1,144)	(872)	(986)
Gross profit before gain on investment properties	35,231	41,809	26,286	32,768	45,972	56,387	43,482	39,004	38,775	29,284
Gain on sale of and revaluation of investment properties	43,551	44,204	2,035	2,126	2,463	709	4,555	415	838	(558)
Administrative expenses	(16,582)	(15,757)	(8,037)	(6,391)	(10,888)	(12,031)	(9,669)	(6,860)	(6,904)	(5,566)
Loss on sale of subsidiary	-	-	(59)	-	(195)	-	-	-	-	-
Negative goodwill	-	-	-	6,362	-	-	-	-	-	-
Net finance costs	(5,080)	(5,561)	(6,572)	(9,638)	(14,779)	(19,241)	(16,348)	(12,515)	(14,215)	(11,127)
Profit before tax	57,120	64,695	13,653	25,227	22,573	25,824	22,020	20,044	18,494	12,033
Tax	(9,676)	844	(2,199)	(7,660)	(5,353)	(5,471)	(6,032)	(3,899)	(3,884)	(3,001)
Profit after tax	47,444	65,539	11,454	17,567	17,220	20,353	15,988	16,145	14,610	9,032
Investment portfolio	294,583	271,315	334,932	342,484	439,911	453,607	419,570	332,457	250,718	201,570
Shareholders' funds	230,097	186,165	234,917	226,870	227,653	223,606	171,770	132,652	132,289	101,080
Dividend per ordinary share	3.65p	3.32p	3.32p	3.00p	2.75p	2.50p	2.23p	2.00p	1.80p	1.6p
Special dividend per ordinary share	-	-	-	-	20.0p	-	-	20.0p	-	0.4p
Diluted earnings per ordinary share	51.8p	53.7p	7.9p	11.8p	11.8p	13.5p	13.8p	10.3p	8.1p	5.7p
Adjusted diluted net assets per share	278p	224p	177p	155p	155p	151p	116p	94p	96p	74p

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

The financial statements for the year to 31 March 2005 have been restated to reflect the adoption of International Financial Reporting Standards.

The financial statements for the year to 31 March 1998 and subsequently have been restated to reflect the impact of the 5 for 1 share issue on 1 September 2005.

The Board of Directors and Senior Management

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

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

Board of Directors and other officers

Executive directors

Managing Director Michael Slade, BSc (Est Man) FRICS FSVA, joined the Board as executive director in 1984 and was appointed Managing Director in 1986. Aged 59.

Finance Director Nigel McNair Scott, MA FCA FCT, joined the Board as non-executive director in 1985 and was subsequently appointed Finance Director in 1987. A former director of Johnson Matthey plc and Govett Strategic Investment Trust plc he is Chairman of Avocet Mining Plc. Aged 60.

Development Director Gerald Kaye, BSc (Est Man) FRICS, was appointed to the Board as executive director in 1994 and is responsible for the Company's development activities. He is a former director of London & Edinburgh Trust Plc. Aged 48.

Investment Director Michael Brown, BSc (Est Man) MRICS, was appointed to the Board as executive director in 1998 and is responsible for the Company's property investment activities. He is a former director of Threadneedle Property Fund Managers. Aged 45.

Non-executive directors

Chairman Giles Weaver, FCA, was appointed to the Board as non-executive director in 1993 and was appointed Chairman following the 2005 AGM. He is Chairman of the Remuneration and Nominations and Appointments Committees. A recent Chairman of Murray Johnstone Ltd, he is a director of Aberdeen Asset Management plc, James Finlay Ltd, Isotron plc, ISIS Property Trust 2 Ltd as well as being Chairman or director of a number of investment companies. Aged 60.

John Southwell, MA, joined the Board of Helical Bar plc as non-executive director in 1986 and was non-executive Chairman between 1988 and July 2005. He is to retire from the Board at the AGM on 20 July 2006. He is a former director of Laing & Cruickshank, Corporate Finance. Aged 73.

Antony Beevor, BA, was appointed to the Board as non-executive director in 2000. He is the Senior Independent Director and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominations and Appointments Committees. A former Head of Corporate Finance at Hambros Bank, he is a Deputy Chairman of the Takeover Panel. Aged 66.

Wilf Weeks, was appointed to the Board as non-executive director on 14 April 2005. He was appointed to the Audit, Remuneration and Nominations and Appointments Committees on 1 June 2005. He is the Chairman of European Public Affairs at Weber Shandwick and has specialised in Government Relations throughout his career. Aged 58.

Andrew Gulliford, BSc (Est. Man), FRICS, was appointed to the Board as an independent non-executive director on 1 March 2006. He is a member of the Audit, Remuneration and Nominations and Appointments Committees. A former Deputy Senior Partner of Cushman & Wakefield Healey & Baker, he is a non-executive director of McKay Securities PLC, ISIS Property Trust 2 Ltd and various other companies. Aged 59.

Company Secretary Tim Murphy, ACA, was appointed Company Secretary in 1994. Aged 46.

Senior management

Matthew Bonning-Snook joined the Company as a development executive in 1995. Aged 38.

Jack Pitman joined the Company as an investment executive in 2001. Aged 37.

John Inwood joined the Company as a management executive in 1995. Aged 40.

Directors' Report

The directors' present their report and financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the Company is that of a holding company and the principal activities of the subsidiaries are property investment, dealing and development. A full review of these activities and the Group's future prospects are given on pages 2 to 17.

Trading results

The results for the year are set out on page 18. The profit after tax amounts to £47,444,000 (2005: £65,539,000).

Share capital

The detailed movements in share capital are set out in note 26 to these financial statements. At 31 March 2006 and 16 June 2006 there were 94,371,925 ordinary 1p shares in issue.

Dividends

A final dividend of 2.45p (2005: 2.20p) per share is recommended for approval at the Annual General Meeting on 20 July 2006. The total ordinary dividend paid in the year of 3.65p (2005: 3.32p) per share amounts to £3,127,000 (2005: £4,226,000).

Charitable donations

Donations to charities amounted to £40,220 (2005: £14,010). No contributions were made to any political party.

Creditor payment policy

The Company's policy is to settle all agreed liabilities within the terms established with suppliers. At 31 March 2006 there were 75 days' (2005: 61 days') purchases outstanding in respect of the Company's creditors.

Auditors

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Substantial shareholdings

At 7 June 2006 the shareholders listed in Table A on page 50 had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Company.

Directors' remuneration

Details of directors' remuneration, share awards, service contracts and pension contributions are noted in the Directors' Remuneration Report on pages 55 to 62.

Directors and their interests

The directors who were in office during the year and their interests, all of which were beneficial, in the ordinary shares of the Company are listed in Table B on page 50.

Shares purchased on behalf of directors under the terms of the Share Incentive Plan are disclosed in the Directors' Remuneration Report on pages 55 to 62.

There have been no changes in the directors' interests in the period from 31 March 2006 to 16 June 2006.

Corporate governance

The Company's application of the principles of corporate governance is noted in the Corporate Governance Report on pages 51 to 54.

Financial risk

Financial risk policies and objectives are discussed in the Corporate Governance Report on page 54.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

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

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

Directors' Report continued

Directors' responsibilities for the financial statements (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and,
- the directors have taken all steps that they ought to have taken 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual General Meeting

The Annual General Meeting of the Company will be held on 20 July 2006 at 11.30 a.m. at The Westbury, Bond Street, London W1S 2YF.

The notice of meeting and the resolutions to be proposed at that meeting are set out in the enclosed circular.

Table A – Substantial shareholdings

	Number of ordinary shares	%
Michael Slade	12,747,203	13.5
Helical Bar Share Ownership Plan Trust	5,702,797	6.0
Barclays Global Investors	3,552,007	3.8
Schroder Investment Management	3,519,804	3.7
Legal & General	3,249,398	3.4
Fidelity	2,870,506	3.0

Table B – Directors' interests

	Ordinary 1p shares 31 March 2006	Ordinary 5p shares 1 April 2005
Giles Weaver	96,250	19,250
Michael Slade	12,747,203	2,548,939
Nigel McNair Scott	2,013,001	401,264
John Southwell	114,840	22,968
Antony Beevor	8,750	923
Wilf Weeks	–	–
Andrew Gulliford	–	–
Gerald Kaye	977,858	195,070
Michael Brown	907,063	180,912
Total directors' interests	16,864,965	3,369,326
Issued share capital	94,371,925	18,101,164
Percentage of issued share capital	17.9	18.6

By Order of the Board

T.J. Murphy
Secretary

16 June 2006

Corporate Governance Report

The Company is committed to applying the highest principles of corporate governance.

The Board is accountable to the Company's shareholders for good corporate governance. This report and the Directors' Remuneration Report describe how the Company complies with the provisions of the Combined Code (2003) (the "Code").

Compliance

The Company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code (2003).

Application of the principles

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

Chairman and Chief Executive The Chairman of the Board is Giles Weaver. The Company's business is run by Michael Slade, the Managing Director.

Board balance and independence As noted above the four executive directors are balanced by five non-executive directors (reducing to four at the 2006 AGM). The Chairman, Giles Weaver, has been a non-executive director of Helical since 1993. In the Company's view, the experience gained as a chairman or director of several listed companies in the financial sector provides him with the necessary skills of leadership and guidance that the role of Chairman of this Company requires. These skills together with his detachment from day-to-day issues within the Company, and his robustly independent approach to the role of Chairman provide the Board with the necessary comfort that despite his time as a non-executive director he could properly be regarded as independent at the time of his appointment as Chairman.

The senior independent director is Antony Beevor. The remaining non-executive directors, after John Southwell's retirement at the 2006 AGM, are Wilf Weeks (appointed 14 April 2005) and Andrew Gulliford (appointed 1 March 2006). The breadth of experience provided by the non-executive directors allied to the management information provided by the Company enable the non-executive Board members to assess and advise the full Board on the major risks faced by the Company. In view of this we continue to believe that all the non-executive directors are independent and for the purposes of this report are referred to below as independent directors.

The Board of Directors The Company supports the concept of an effective Board leading and controlling the Company. The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. 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 reviews management performance. The Board sets the Group's values and standards and ensures that the Company's obligations to its shareholders and others are understood and met.

The members of the Board, and the roles of each director are given in the biographical details of the directors on page 48. All directors take decisions objectively in the interests of the Company.

As part of their role as members of the Board, non-executive directors constructively challenge and help develop proposals on strategy. Non-executive directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, executive directors, and in succession planning.

In addition to ad hoc meetings arranged to discuss particular transactions and events and the 2005 AGM and 31 August 2005 and 14 December 2005 EGM's, the full Board met on five occasions during the year under review. All directors attended every meeting of the Board and its Committees during their term of office on those Committees. The attendance record of the directors is shown in the table below.

Meetings	Mr. C.G.H. Weaver	Mr. M.E. Slade	Mr. N.G. McNair Scott	Mr. G.A. Kaye	Mr. P.M. Brown	Mr. J.P. Southwell	Mr. A.R. Beevor	Mr. W. Weeks	Mr. A. Gulliford
Full Board	5	5	5	5	5	5	5	5	1
Audit Committee	1	n/a	n/a	n/a	n/a	1	3	2	1
Remuneration Committee	3	n/a	n/a	n/a	n/a	2	3	2	n/a
Nominations and Appointments Committee	3	n/a	n/a	n/a	n/a	2	3	1	n/a

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

Schedule of matters reserved for the Board:

- Strategy and management – responsibility for the overall management of the Group; approval of the Group's long-term objectives and commercial strategy; approval of annual administration budgets; oversight of the Group's operations; extension of the Group's activities into new business areas; 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.

Corporate Governance Report continued

- Financial reporting and controls – approval of interim and preliminary announcements; approval of annual report and accounts, including the corporate governance statement and the directors' remuneration report; approval of dividend policy; approval of significant changes in accounting policies or practices; approval of treasury policies.
- Internal controls – ensuring maintenance of a sound system of internal control and risk management.
- Communication – approval of resolutions and documentation to be put to shareholders in general meeting; approval of press releases concerning matters decided by the Board.
- Board membership and other appointments to senior management.
- Both the appointment and removal of the Company Secretary.
- Corporate governance matters including directors' performance evaluations.
- Approval of policies including code of conduct; share dealing code; health and safety policy; environmental and corporate social responsibility policy and equal opportunity policy.

Nominations and Appointments Committee

The terms of reference of the Nominations and Appointments Committee are available by request and are included on the Company's website at www.helical.co.uk.

The membership of the Committee is as follows:

Giles Weaver (Chairman)

Antony Beevor

Wilf Weeks (appointed 1 June 2005)

Andrew Gulliford (appointed 1 March 2006)

Directors – appointments to the Board Appointments are made on merit and against objective criteria. Care is taken to ensure that appointees have enough time available to devote to the job.

The Nominations Committee controls the process for Board appointments and makes recommendations to the Board. A majority of the Committee are independent non-executive Directors.

The work of the Nominations Committee in the year The Committee met three times during the period, and all eligible members of the Committee were in attendance at each meeting. During the first of these meetings, the Committee concluded its consideration with regard to the appointment of a new non-executive and recommended to the Board the appointment of Wilf Weeks on 14 April 2005.

At the second meeting it was resolved that Giles Weaver, John Southwell and Wilf Weeks be recommended to shareholders for re-appointment as directors at the 2005 AGM. At this meeting the Committee also considered potential candidates for the role of Chairman to be appointed immediately following the 2005 AGM, upon John Southwell's retirement from that position. It was resolved that Giles Weaver be proposed, subject to his re-appointment as a director at the 2005 AGM.

At the third meeting during the year the Committee considered additional candidates for the position of non-executive director. In view of his extensive experience of the property sector it was resolved that Andrew Gulliford be recommended to the Board for appointment as a non-executive director on 1 March 2006.

Directors – information and professional development The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and its directors are free to seek any further information they consider necessary.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

The Board ensures that directors, especially non-executive directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. Training is available for new directors and other directors as necessary.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are complied with.

The Company has arranged appropriate insurance cover in case of legal action against its directors.

Directors – performance evaluation The Board undertook a formal evaluation of its own performance and that of its Committees and individual directors in the period.

The Chairman is responsible for the annual evaluation process, and will act on its outcome. This process involves each director submitting an appraisal to the Chairman in respect of the performance of the main Board, and in respect of each Board Committee of which they are a member.

The non-executive directors, led by the senior independent non-executive director, are responsible for performance evaluation of the Chairman, taking into account views of executive directors. Each director completed an evaluation of the Chairman's performance and provided this evaluation to the senior independent non-executive director.

Directors re-election All directors are subject to re-election, after receiving the recommendation of the Nominations and Appointments Committee, every three years and, on appointment, at the first AGM after appointment. The Nominations and Appointments Committee have recommended the re-appointment of the following directors:

- Giles Weaver has served more than nine years on the Board and in accordance with the Code offers himself for re-election;
- Andrew Gulliford, appointed on the 1 March 2006, seeks formal re-election for the first time;

- Antony Beevor is due to retire by rotation and offers himself for re-election;
- Michael Slade is due to retire by rotation and offers himself for re-election; and,
- Nigel McNair Scott is due to retire by rotation and offers himself for re-election.

Biographical details of the directors are given on page 48.

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

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

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

Accountability and audit

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

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

Audit Committee and auditors The terms of reference of the Audit Committee are available by request and are included on the Company's website at www.helical.co.uk.

The membership of the Committee is as follows:

Antony Beevor (Chairman)
 Wilf Weeks (appointed 1 June 2005)
 Andrew Gulliford (appointed 1 March 2006)

The Committee endorses the principles set out in the Smith Guidance for Audit Committees.

The Board has formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Whilst all directors have a duty to act in the interests of the Company, the Audit Committee has a particular role, acting independently from the executive, to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.

Appointments to the Audit Committee are made by the Board on the recommendation of the Nominations and Appointments Committee in consultation with the Audit Committee Chairman.

The work of the Audit Committee in the year The Audit Committee met three times during the year and each meeting was attended by all eligible members of the Committee. The Audit Committee met the external auditors three times to discuss matters arising from the annual and interim audits. In addition to matters discussed in relation to the annual and interim audits, the scope of the auditors review of the design effectiveness of internal controls, as required under International Standards on Auditing, was discussed and agreed by the Audit Committee. The report was presented to the Audit Committee on 1 March 2006, and the key findings and recommendation of this report, which cover governance, operational controls and financial reporting, have been considered and, where appropriate, will be implemented during the second half of 2006.

Internal control The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. Such a system is designed to manage, but 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 Company's system of internal control are as follows:

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

Corporate Governance Report continued

Internal audit The Board reviewed its position during 2005/06 and reaffirmed its stance that in view of the relatively small size of the Company it does not consider that an Internal Audit function would provide any significant additional assistance in maintaining a system of internal controls.

Business risk In accordance with the guidance of the Turnbull Committee, a review group of the UK Financial Reporting Council, on Internal Control, an ongoing process has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place from the start of the financial year under review to the date of approval of these financial statements. As part of this process the Board has identified key risks faced by the Company. These key risks include net gearing and interest rate exposure, control over cash and other liquid assets and security of ownership of key assets. The risks have been prioritised and a strategy has been set out to deal with them.

The Board papers produced for each Board meeting include reports by each of the executive directors together with management accounts, profit and cash flow forecasts. The annual business development plan was presented to the Board in January 2006. This document discusses the commercial environment in which the Company operates, undertakes a SWOT analysis on the Company and sets short, medium and long-term targets for the business. The Board papers also include regular updates on corporate governance matters and during the year under review has received reports on risk assessment, interest rate risks, taxation, and matters reserved for Board approval.

In between Board meetings the non-executive directors receive copies of the minutes of weekly management meetings between the executive Board members and senior management at which the property portfolio, and other matters are discussed, and minutes of meetings with the Company's major joint venture partners. Non-executive directors also receive copies of analysts' reports on the Company. The directors are free to seek any further information they consider necessary.

Audit independence A policy of reviewing audit independence has been adopted whereby non-audit services undertaken by the auditors is approved prior to work being carried out. During the year under review non-audit services comprised VAT and other taxation advice, accounting and financial reporting advice on the implications of adopting International Financial Reporting Standards and a review of internal controls.

Financial risk management objectives and policies

The Group principally uses secured bank loans, overdraft facilities, cash resources generated directly from its operations and credit control of its trade debtors and creditors to raise finance for the Group's operations.

The existence of these financial assets and liabilities exposes the Company to a number of financial risks, which are described in more detail below. In order to manage the Company's exposure to those risks, in particular the Company's exposure to interest rate risk, the Company enters into a number of derivative transactions including, but not limited to, variable and fixed rate interest swaps.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Company's financial assets and liabilities are cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 23 to the financial statements. In addition to these borrowings the Company has access to undrawn committed borrowing facilities of an additional £56m and is able to raise additional funds on £158m of property, not currently secured on borrowings.

Interest rate risk

The Company finances its operations through a mixture of retained profits and bank borrowings. The Company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. At the year end 41% of the borrowings were at fixed rates; this percentage is calculated without reference to the financial liabilities on which no interest is charged. The Company has an interest rate cap at 7% on £80m of borrowings until September 2009.

The interest rate exposure of the financial assets and liabilities of the Group is shown in note 24 above.

Credit risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors. Trade debtors due from sales of property are secured against those properties until the proceeds are received. Rental debtors are unsecured but the Group's exposure to tenant default is limited as no tenant accounts for more than 5% of the total rent.

Directors' Remuneration Report

Directors' remuneration

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

Information not subject to audit

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

The Remuneration Committee ("Committee") has responsibility for making recommendations to the Board to determine the Company's general policy on salary, bonuses, pensions and other remuneration issues for individual directors. It carries out the policy on behalf of the Board and in the year under review the Committee met three times. All meetings of the Committee were attended by all its members.

The membership of the Committee is as follows:

Giles Weaver (Chairman)

Antony Beevor

Wilf Weeks (appointed 1 June 2005)

Andrew Gulliford (appointed 1 March 2006)

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

Policy on executive directors' remuneration

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

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

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

- i basic annual salary, pension contributions and benefits-in-kind;
- ii annual sector bonus payments;
- iii Executive Bonus Plan; and,
- iv share incentives.

Basic annual salary, pension contributions and benefits-in-kind Basic annual salaries for executive directors are reviewed having regard to individual performance and market practice and were last reviewed in April 2005.

The remuneration packages of each executive director include a payment of 20% of basic salary as pension entitlement. Each director takes this entitlement as additional salary.

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

Annual sector bonus payments The Committee establishes the objectives which must be met for annual cash bonuses to be paid. Performance related cash bonuses, which recognise the relative success of the different parts of the business, may be paid to the executive directors responsible for their parts. A proportion of the Group's total administration costs is deducted in arriving at each sector bonus. The maximum amount payable in each year is £1m to each of the Development and Investment Directors. The sector bonus payable to the Development Director is based on the development profits generated in the year. The Sector Bonus payable to the Investment Director is based on the profits and gains made on the investment and trading portfolio in the year net of associated finance costs. Payment of annual sector bonuses is at the discretion of the Committee.

Directors' Remuneration Report continued

Executive Bonus Plan The Company operates an Executive Bonus Plan designed to align the motivations of the senior management team with the interests of shareholders and to link their remuneration to the performance of the Company's property portfolio. Shareholders voted to continue the Executive Bonus Plan ("Plan"), previously known as the "Incentive Plan", at an EGM on 14 December 2005. The Plan operates over a five year period from 1 April 2006 and cash bonuses will be paid annually subject to the achievement of challenging performance targets.

The performance conditions, which are identical to the Incentive Plan that it replaces, are as follows:

Performance conditions The Committee may, at its discretion, award bonuses in respect of a financial year subject to performance conditions, the aim of which is to link the size of bonuses paid to financial growth of the Group over that financial year. For the first bonuses, namely those due for the financial year ending 31 March 2007 or such other date to which the Group shall make up audited accounts (pro rata for less than or more than a 12 month period) and the four following years until 31 March 2011, the Committee proposes that no bonus will be payable unless the following conditions are satisfied:

- i Increase in net asset value
net asset value at the end of the financial year exceeds net asset value at the beginning of the financial year;
- ii Absolute Performance of the Portfolio – ungeared total return
the percentage increase in the total return on property assets of the Group over the financial year (the "Performance Period") is greater than the percentage increase achieved by the portfolio ranked nearest to three-quarters up the performance table (taken in ascending order of return) (the "Upper Quartile") of the portfolios of all quarterly valued funds measured by the Investment Property Databank at the beginning of the relevant Performance Period and compounded monthly during the Performance Period (the "IPD Total Return Benchmark"); and,
- iii Performance of the net asset value per share
the percentage increase in net asset value per share for the Performance Period must be greater than the percentage increase achieved by the Upper Quartile of the portfolios of all quarterly valued funds measured by the Investment Property Databank at the beginning of the relevant Performance Period and compounded monthly during the Performance Period (the "IPD Capital Growth Benchmark").

As before, the Committee will recommend the size of the bonus payable by reference to the same sliding scale based on the amount by which the increase in net asset value per share exceeds the increase in the Upper Quartile of the IPD Capital Growth Benchmark subject to a cap.

Calculation of amounts payable The total amount of the bonuses payable in any one year shall be determined by:

- calculating the difference between the percentage increase in net asset value per share for the Performance Period and the percentage increase in the Upper Quartile of the IPD Capital Growth Benchmark over the same period (the "Difference"); and,
- calculating the sum of the amounts payable in relation to each 1% of the Difference on the following basis:

Amount of Difference	% of base net asset value payable
Less than 1%	0.01
1 per cent. to less than 2%	0.02
And thereafter for every additional 1%	An increment of 0.01
For example: From 4% to less than 5%	0.05

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

Financial accounts The audited financial accounts which record the financial performance on which the Plan operates will be those accounts prepared in accordance with International Financial Reporting Standards.

2006 Plan and individual limits The total amount payable under the 2006 Plan in any one year is limited to £4 million. An individual employee's participation in the 2006 Plan is limited so that the bonus which may be paid to him under the 2006 Plan will not exceed £2m per annum. There is a further limit that payments under the 2006 Plan in any year may not exceed 20% of the Group's pre-tax profits and payments under the 2006 Plan. Among other constraints the Committee could restrict the bonuses if payment would affect the financial or trading position of the Company.

Timing of bonuses Bonuses will ordinarily be paid, subject to the performance conditions being satisfied, and provided that the participant remains a director or employee of the Group at the time of payment on a specified bonus date, which will fall within four months of the end of the relevant Performance Period. Bonuses are not transferable, nor will benefits obtained under the 2006 Plan be pensionable.

Termination of employment If a participant dies, the bonus that would have been paid for the relevant financial year may, at the discretion of the Committee, be paid to the participant's personal representatives, but will be scaled down pro rata to reflect the period elapsed since the start of the Performance Period. If a participant's employment ends in any other circumstances prior to the payment of the bonus, no entitlement will arise.

Change of control In the event of a change in control of the Group, bonuses in respect of the financial year in which the change of control falls may be paid to the extent that the relevant performance target(s) have been satisfied over an adjusted Performance Period.

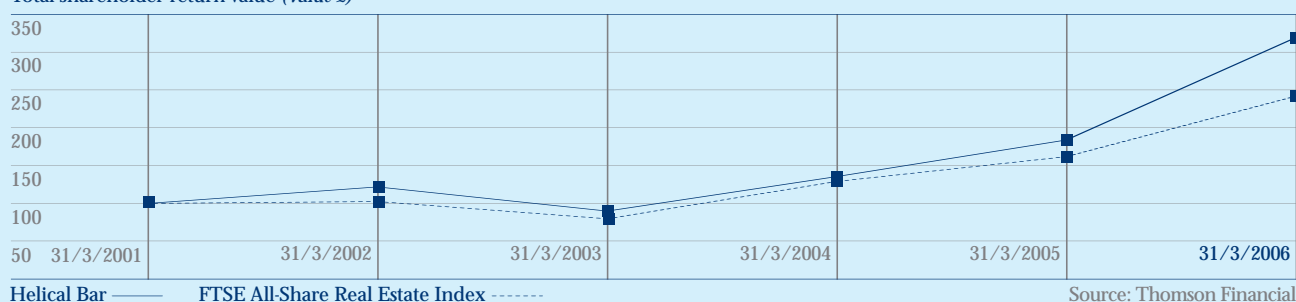
Termination of the 2006 Plan The Committee will not recommend the making of bonuses under the 2006 Plan in connection with a financial year later than the year ended 31 March 2011 without further shareholder authority.

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

Non-executive directors Non-executive directors are subject to re-appointment by shareholders at the Company's AGM at least every three years. The remuneration of the non-executive directors is determined by the Board and was last increased in April 2005. Non-executive directors do not participate in any of the Company's share option schemes. The former Chairman, John Southwell, is provided with a company car.

Total shareholder return The performance criteria of the Company's 1999 share option schemes, referred to on pages 58 to 60 below, require the Company to exceed certain targets of total shareholder return. The total shareholder return for a holding in the Company's shares in the five years to 31 March 2006 is shown in the graph below.

Total shareholder return value (Value £)



This graph looks at the value, by 31 March 2006, of £100 invested in Helical Bar on 31 March 2001 compared with the value of £100 invested in the FTSE All-Share Real Estate Index. The other points plotted are the values at intervening financial year-ends. Dividends received are re-invested in shares.

Information subject to audit: Remuneration of directors

Remuneration in respect of the directors was as follows:

	Salary/fees £000	Benefits- in-kind £000	Cash bonuses £000	Gain on exercise of share options £000	Incentive plan £000	2006 Total £000	2005 Total £000	Pensions 2006 Total £000	Pensions 2005 Total £000
Chairman									
Giles Weaver	47	-	-	-	-	47	28	-	-
Non-executive directors									
John Southwell	36	15	-	-	-	51	65	-	-
Antony Beevor	33	-	-	-	-	33	28	-	-
Wilf Weeks (appointed 14/4/05)	28	-	-	-	-	28	-	-	-
Andrew Gulliford (appointed 1/3/06)	-	-	-	-	-	-	-	-	-
Executive directors									
Michael Slade	480	35	-	3,322	1,448	5,285	4,055	-	-
Nigel McNair Scott	300	19	-	549	483	1,351	2,536	-	-
Gerald Kaye	258	30	188	2,758	483	3,717	3,344	-	-
Michael Brown	258	30	785	1,075	483	2,631	3,754	215	-
	1,440	129	973	7,704	2,897	13,143	13,810	215	-

Michael Slade was the highest paid director during the year with a total remuneration of £5,285,000 (including gain on exercise of share options) (2005: Michael Slade £4,055,000).

Directors' Remuneration Report continued

The £1,000,000 sector bonus awarded to Michael Brown has been partly paid in cash (£785,000) and partly paid by pension contributions (£215,000).

In order to compensate option holders for the payment of the special dividend in April 2002, the Company pays a cash bonus of 20p per share on the date option holders exercise their options, as noted on page 60. The gain on exercise of share options of the directors includes cash bonuses of £693,000 arising out of the exercise of options during the year. The cost of these cash bonuses is included in administrative expenses.

Directors' fees Fees receivable by Nigel McNair Scott in his capacity as Chairman of Avocet Mining Plc are shown in the financial statements of that Company.

Share options The Company operated three share option schemes during the year.

The Senior Executive 1988 Share Option Scheme ceased to be able to grant options over new shares ("subscription shares") and shares held by the Helical Bar Share Ownership Plan Trust ("purchase shares") in June 2001. Share options granted in respect of this scheme are included in note 27. Under this scheme options only vest if the increase in the net asset value per share is greater than that achieved by the upper quartile of the Investment Property Databank index for capital growth of all funds over a five year period. All the performance criteria of the options granted under the terms of this scheme have been met and option holders are, therefore, able to exercise their options at any date prior to their expiry.

The Helical Bar 1999 Share Option Scheme operates in respect of the grant of share options which exceed the Inland Revenue limit of £30,000. Under this scheme the aggregate market value of shares issued or issuable to an individual under this and other option schemes may not exceed eight times his annual earnings. Share options granted in respect of this scheme are included in note 27.

The Helical Bar 1999 Approved Share Option Scheme is an Inland Revenue approved scheme. Under the terms of this scheme options up to a maximum value of £30,000 per individual may be granted. Share options granted in respect of this scheme are included in note 27.

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

These share option schemes have been replaced by the Performance Share Plan, details of which are included on pages 61 and 62, and future share option grants will only be made in exceptional circumstances and only following consultation with principal shareholders on the key terms of those options.

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

	Type	At start of year	Options exercised in year	At end of year	Exercise price	Date from which exercisable	Expiry date	Profit if options exercised at 31 March 2006
Michael Slade								
Senior Executive 1988 Share Option Scheme	Purchase	30,000	–	30,000	90.5p	27.11.01	26.11.07	91,350
Senior Executive 1988 Share Option Scheme	Purchase	2,000,000	–	2,000,000	113.0p	10.07.02	09.07.08	5,640,000
Helical Bar 1999 Share Option Scheme	Subscription	2,466,105	(1,500,000)	966,105	88.5p	08.03.04	07.03.09	2,961,112
Helical Bar 1999 Share Option Scheme	Purchase	740,000	–	740,000	150.0p	18.12.05	17.12.10	*
Helical Bar Approved 1999 Share Option Scheme	Subscription	33,895	–	33,895	88.5p	08.03.02	07.03.09	103,888
		5,270,000	(1,500,000)	3,770,000				8,796,350
Nigel McNair Scott								
Senior Executive 1988 Share Option Scheme	Purchase	250,000	(250,000)	–	–	27.11.01	26.11.07	–
Helical Bar 1999 Share Option Scheme	Purchase	215,000	–	215,000	88.5p	08.03.04	07.03.09	658,975
Helical Bar 1999 Share Option Scheme	Subscription	1,176,105	–	1,176,105	88.5p	08.03.04	07.03.09	3,604,762
Helical Bar 1999 Share Option Scheme	Purchase	360,000	–	360,000	150.0p	18.12.05	17.12.10	*
Helical Bar Approved 1999 Share Option Scheme	Subscription	33,895	–	33,895	88.5p	08.03.02	07.03.09	103,888
		2,035,000	(250,000)	1,785,000				4,367,625
Gerald Kaye								
Helical Bar 1999 Share Option Scheme	Subscription	1,466,105	(1,216,105)	250,000	88.5p	08.03.04	07.03.09	766,250
Helical Bar 1999 Share Option Scheme	Purchase	635,000	–	635,000	150.0p	18.12.05	17.12.10	*
Helical Bar 1999 Share Option Scheme	Purchase	647,095	–	647,095	153.3p	15.11.06	14.11.11	*
Helical Bar Approved 1999 Share Option Scheme	Subscription	33,895	–	33,895	88.5p	08.03.02	07.03.09	103,888
		2,782,095	(1,216,105)	1,565,990				870,138

*Performance conditions not satisfied as at 31 March 2006.

Share options outstanding at 31 March 2005 and 31 March 2006, number of options exercised and exercise prices have all been adjusted for the five for one share split on 1 September 2005.

Directors' Remuneration Report continued

	Type	At start of year	Options exercised in year	At end of year	Exercise price	Date from which exercisable	Expiry date	Profit if options exercised at 31 March 2006
Michael Brown								
Helical Bar 1999 Share Option Scheme	Subscription	966,105	(500,000)	466,105	88.5p	08.03.04	07.03.09	1,428,612
Helical Bar 1999 Share Option Scheme	Purchase	530,000	–	530,000	150.0p	18.12.05	17.12.10	*
Helical Bar 1999 Share Option Scheme	Purchase	502,090	–	502,090	153.3p	15.11.06	14.11.11	*
Helical Bar Approved 1999 Share Option Scheme	Subscription	33,895	–	33,895	88.5p	08.03.02	07.03.09	103,888
		2,032,090	(500,000)	1,532,090				1,532,500

*Performance conditions not satisfied as at 31 March 2006.

Share options outstanding at 31 March 2005 and 31 March 2006, number of options exercised and exercise prices have all been adjusted for the five for one share split on 1 September 2005.

The following share options were exercised during the year by directors:

Director	Date of exercise	Type of option	Number of shares	Exercise price	Sale price	Gain
Michael Slade	07.09.05	Subscription	1,500,000	88.5p	290.0p	3,322,500
Nigel McNair Scott	07.09.05	Purchase	250,000	90.5p	290.0p	548,750
Gerald Kaye	17.06.05	Subscription	466,105	88.5p	283.5p	1,002,033
Gerald Kaye	07.09.05	Subscription	250,000	88.5p	290.0p	553,750
Gerald Kaye	16.12.05	Subscription	300,000	88.5p	310.0p	724,500
Gerald Kaye	06.01.06	Subscription	102,173	88.5p	310.0p	246,748
Gerald Kaye	13.01.06	Subscription	97,827	88.5p	305.1p	231,458
Michael Brown	17.06.05	Subscription	500,000	88.5p	283.5p	1,074,900

The number of options exercised and exercise prices have all been adjusted for the five for one share split on 1 September 2005.

The market price of the ordinary shares at 31 March 2006 was 395p (2005: 230p). This market price varied between 233p and 398p during the year (adjusted for the five for one share split on 1 September 2005).

The gain on exercise of share options includes a cash bonus of 20p per 1p share in accordance with the matter referred to under special dividend below.

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

The Company is currently unable to increase the number of shares under option in sufficient quantity to satisfy the requirement to compensate option holders for the special dividend of 100p paid in April 2002. An adjustment to the exercise price of the existing options would result in an increased national insurance cost to the Company. Accordingly, the Board has considered alternative ways of compensating option holders and, as a result, the Company will compensate holders of options at the time the special dividend was declared, on the dates they exercise their options by 20p per 1p share (previously 100p per 5p share), equivalent to the special dividend. In the year under review compensation of £823,221 was paid following the exercise of options over 4,116,105 1p shares.

Performance Share Plan

At the 2004 Annual General Meeting the Company received approval for the adoption of a Performance Share Plan (“PSP”).

General The operation of the PSP is supervised by the Remuneration Committee (the “Committee”).

The PSP is capable of delivering shares to an executive after a period of not less than three years, other than in exceptional circumstances and with the approval of the Committee, subject to meeting pre-specified performance targets.

Eligibility All employees of the Company and its subsidiaries (including directors who are required to devote substantially the whole of their working time to the business of the Group) who are not under notice nor within six months of any contractual retirement ages will be eligible to receive invitations to participate in the PSP at the discretion of the Remuneration Committee.

Grant of awards Awards may be made within the six weeks following approval at a general meeting, the announcement by the Company of its results for any period, or the removal of any statutory or regulatory restriction which had previously prevented an award being granted or any other times considered by the Remuneration Committee to be exceptional.

No awards may be made more than ten years after the adoption of the PSP by the Company. The Remuneration Committee will formally review the operation of the PSP after no more than five years.

An award consists of the right to acquire shares in the Company for either no payment or payment of a nominal sum. Awards are neither transferable nor pensionable.

Limit on individual participation No awards may be granted over shares in any financial year whose value is greater than three times an employee’s annual rate of salary.

Exercise of awards Other than in exceptional circumstances, an award will vest no earlier than the third anniversary of its grant to the extent that the applicable performance conditions (see below) have been satisfied and the participant is still employed by the Group. Once exercisable, awards will then remain capable of exercise for a period of normally no more than six months.

The Remuneration Committee has set demanding performance conditions for the vesting of shares. There are two performance conditions, one based on absolute growth in the Company’s net asset value per share and the other based on the gross total property return per share relative to other property funds as determined by IPD but excluding those funds worth less than £50m at the start of the three year period. Performance will be measured over the three years following grant.

Participants will not normally be permitted to sell shares received through the PSP, other than to meet taxation (and national insurance contributions) liabilities, until they own shares to the value of 2 x salary for directors and 1 x salary for other executives.

For the growth in net asset value, the “fully diluted triple net” net asset value as at the start of the financial year in which a grant takes place will be compared to the value three years later (having added back dividends).

(a) Absolute net asset value per share (having added back dividends) condition

Annual compound increase after three years	% of award vesting
15% pa or more	66.7%
Between 7.5% pa and 15% pa	Pro rata between 6.7% and 66.7%
7.5% pa	6.7%
Below 7.5% pa	Zero

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

(b) Total property return v IPD property funds condition

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

Provided the net asset value per share (having added back dividends) increases over the three year period.

Alignment with shareholders’ interests The Remuneration Committee has analysed the potential gains that may be made by executives (directors and those below Board level) through the PSP and other incentive arrangements currently in place. It has concluded that the share of the increase in the value of the Company (measured as the increase in the net asset value plus cash returned as dividends to shareholders) that could accrue to all executives through the Company’s long and short-term incentive and bonus plans (excluding gains on share options granted before December 2002) at the point at which the maximum awards vest might be of the order of 20%. At this point, in absolute terms, the Company will have increased its triple net asset value by at least 15% per annum with the Company’s relative performance placing it in the top quartile of IPD, over the three year period. Share awards will be cancelled where the gross return falls below the IPD median and where the growth in triple net asset value is below 7.5% per annum over the three year period.

Relationship to the Company’s share option schemes The PSP has replaced future share option grants which will only be made in exceptional circumstances and only following consultation with principal shareholders on the key terms of those options.

Directors' Remuneration Report *continued*

Awards made to directors under the terms of the PSP were as follows:

Director	Shares awarded 18.08.04	Shares awarded 06.07.05	Total
Michael Slade	750,000	519,855	1,269,855
Nigel McNair Scott	375,000	324,910	699,910
Gerald Kaye	375,000	279,420	654,420
Michael Brown	375,000	279,420	654,420

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

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

	6 July 2005 at 277.0p	26 January 2006 at 325.25p
Michael Slade	1,890	618
Nigel McNair Scott	1,890	618
Gerald Kaye	1,890	618
Michael Brown	1,890	618

Shares held by the Trustees of the Plan at 31 March 2006 were 200,015 (2005: 164,085).

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

We have audited the Group and parent company financial statements (the "financial statements") of Helical Bar plc for the year ended 31 March 2006 which comprise the principal accounting policies, the Consolidated income statement, the Group and parent balance sheets, the Group and parent cash flow statements, the Group and parent company statements of recognised income and expense and notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and article 4 of the IAS Regulation and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and article 4 of the IAS Regulation; and,
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 March 2006.

Separate opinion in relation to IFRSs

As explained in the notes to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended.

Grant Thornton UK LLP

Registered Auditors

Chartered Accountants

London

16 June 2006

Corporate Social Responsibility

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

The criteria established by EIRIS encompass corporate governance, environment, human rights, stakeholder issues, employee issues and customers and suppliers. The Company's corporate governance policies are noted on page 51 above and on the environment on page 65. The Company has no business activities in any countries which have unacceptable human rights records. The Company's relationship with its key stakeholders, its shareholders, is noted on page 53 above.

Employees

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

Statement of General Health and Safety Policy

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

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

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

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

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

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

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

Community involvement

Helical Bar plc has for many years joined in efforts to raise money for charitable causes. In 2005 the Company organised an entry under the Helical banner into the London to Brighton Bike Ride raising over £91,000 for the British Heart Foundation. The Company's Managing Director, Mr Michael Slade, is a Trustee of the Land Aid Charitable Trust, a charity established in 1985 to focus the fundraising efforts of the property industry. Land Aid's mission is to support the homeless and vulnerable by raising funds to help provide accommodation, assist in refurbishment projects and give financial assistance where needed. In 2005 the charity was relaunched and organised several fundraising events during the year. The Company also makes charitable donations in its own right and in the year under review the donations amounted to £40,220 (2005: £14,010).

Ethical concerns

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

The Company also formally adopted during the year an Equal Opportunities Policy which sets out its determination to treat all employees in accordance with that policy.

Environmental policy and objectives

Helical Bar recognises its responsibility to reduce any adverse environmental impacts arising from its business activities. The corporate commitment is encapsulated by the environmental policy and objectives, which are listed at www.helical.co.uk. The Company is keen to comply with all applicable environmental legislation, and seeks to continuously improve its environmental performance, achieving good practice in both development and management activities.

Annual targets are set to drive further improvements in management and performance, and to track progress over time. It should be noted that, to be consistent with the Company's financial reporting period, the environmental reporting period has been altered from a calendar year basis to a financial year basis (i.e. April to March).

In 2005, 56% of all the environmental targets were fully achieved, with just 6% remaining un-progressed. A detailed review of progress against individual targets can be found at www.helical.co.uk and specific highlights and challenges are outlined below.

Building design and construction

- Helical has extended its engagement with principal contractors and joint venture partners to inform them of Helical Bar's environmental policy and targets for the year. On larger projects (e.g. Cardiff), the tender process has specifically requested contractors to disclose previous pollution incidents and fines incurred.
- Helical Bar continues to use the BREEAM tool to evaluate the environmental performance of designs for larger schemes. In 2005, a preliminary assessment was undertaken by the architects for the mixed use scheme being developed in Nottingham. The pre-assessment BREEAM report for Helical's development in Milton Keynes also indicates that this is capable of achieving a Very Good or an Excellent BREEAM rating.

Property management

- Through its managing agent, Helical continues to engage proactively with tenants on the issue of waste management. During 2005, this received a positive response from tenants at Rex House where a more coordinated approach to waste recycling may be introduced, and Helical will seek to extend this approach in future to other tenants and buildings. The Company's ambition is to provide tenants with a direct cost-comparison between recycling and not recycling to inform future discussions.
- Similar albeit slower engagement is taking place with tenants over energy use, but there have been some positive responses and Helical Bar's managing agents hope to work with two key tenants in the coming months to identify and prioritise energy saving measures that can be taken by both the tenant and Helical Bar to improve energy efficiency.

Own-occupation

- Helical has increased the amount of waste recycled at head office by 15% and other types of waste are now being recycled using a maxi-waste system.
- In 2005-06 the Company conducted a survey of staff travel to work. This will be reviewed with a view to identifying sustainable transport initiatives where appropriate.

Future priorities

Key priorities for the next reporting period will include:

- Further engagement with tenants on improving efficiencies in multi-let offices, in particular extending waste recycling schemes, and better understanding of energy use patterns and potential reduction measures.
- Development of environmental information packs tailored for joint venture partners (with a particular focus on sustainable procurement), and for tenants regarding environmental matters relating to the use of Helical's buildings.
- Further reducing the adverse environmental impacts of Helical's own head office, and ensuring more effective communication with all interested stakeholders.

A full list of targets for 2005-06 can be found on the Company website at www.helical.co.uk.

Glossary of Terms

Adjusted diluted net assets per share

Diluted net asset value per share adjusted to exclude fair value of financial instruments and deferred tax on capital allowances and on investment properties revaluation.

Adjusted diluted triple net asset value

Diluted net asset value per share adjusted to include the surplus of value from the directors' valuation of trading stock.

Adjusted earnings per share

Earnings per share adjusted to exclude gains on sale and revaluation of investment properties, fair value movements on derivative financial instruments and their deferred tax adjustments, on a diluted basis.

Average Unexpired Lease Term

The average unexpired lease term expressed in years.

BREEAM

Building Research Establishment's Environmental Assessment Method.

Diluted figures

Reported amounts adjusted to include the effects of potential shares issuable under the employee share option schemes.

Earnings per share

Profit after tax divided by the weighted average number of ordinary shares in issue.

Estimated rental value (ERV)

The market rental value of lettable space as estimated by the Company's valuers at each balance sheet date.

Initial yield

Annualised net rents on investment properties as a percentage of the investment property valuation.

IPD

The Investment Property Databank Limited (IPD) is a company that produces an independent benchmark of property returns.

Like-for-like portfolio

Properties that have been held for the whole of the period of account.

Net assets per share or net asset value (NAV)

Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net gearing

Total borrowings less short-term deposits and cash as a percentage of equity shareholders' funds.

REIT

Real Estate Investment Trust.

Return on capital employed (ROCE)

Return on capital employed is measured as profit before financing costs plus revaluation surplus on investment property divided by the opening gross capital.

Reversionary yield

The anticipated yield, which the initial yield will rise to once the rent reaches the ERV.

Total shareholder return (TSR)

The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period expressed as a percentage of the share price at the beginning of the period.

True equivalent yield

The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value. Assumes rent is received quarterly in advance.

Weighted Average Cost of Capital (WACC)

The weighted average pre-tax cost of the Group's debt and the notional cost of the Group's equity used as a benchmark to assess investment returns.

Financial Calendar

Year ended 31 March 2006

Annual General Meeting to be held 20 July 2006

Final ordinary dividend payable 21 July 2006

Half year ending 30 September 2006

Results and interim ordinary dividend announced November 2006

Interim ordinary dividend payable December 2006

Year ending 31 March 2007

Results and final dividend announced June 2007

Final ordinary dividend payable July 2007

Advisors

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

Barclays Bank plc
Hypo Real Estate
The Royal Bank of
Scotland plc
Aareal Bank AG

Stockbrokers

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Merchant bankers

Lazard
50 Stratton Street
London W1J 8LL

Solicitors

Ashurst
Clifford Chance
Dechert
Lawrence Graham
Mishcon de Reya
Norton Rose
Olswang

Helical Bar plc, registered office:
11-15 Farm Street, London W1J 5RS
Tel: 020 7629 0113, Fax: 020 7408 1666
email: info@helical.co.uk
website: www.helical.co.uk