

OUR PRINCIPAL RISKS

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

STRATEGIC RISKS	
<p>The Group's strategy is inconsistent with the market</p> <p>Links to strategy Portfolio</p>	<p>Strategic risks are external risks that could prevent the Group delivering its strategy. These risks principally impact our decision to purchase or exit from a property asset.</p>
<p>The Group carries out significant development projects</p> <p>Links to strategy Portfolio</p>	<p>Risk description Changing market conditions could hinder the Group's ability to buy and sell properties envisioned in its strategy. The location, size and mix of properties in the Helical portfolio determine the impact of the risk.</p> <p>If the Group's chosen markets underperform, the impact on the Group's liquidity, investment property revaluations and rental income is greater.</p> <p>Mitigation/action Management constantly monitors the market and makes changes to the Group's strategy in light of market shifts.</p> <p>The Group's management is highly experienced and has a strong track record of understanding the property market.</p> <p>Due to the Group's small management team, changes in strategy can be implemented quickly.</p>
<p>Property values decline/reduced tenant demand for space</p> <p>Links to strategy Portfolio</p>	<p>Risk description The property portfolio is at risk of revaluation falls through changes in market conditions, including under performing sectors or locations, lack of tenant demand or general economic uncertainty.</p> <p>Mitigation/action The Group's property portfolio has tenants from diverse industries, reducing over-exposure to one sector. Management reviews external data, seeks the advice of industry experts and monitors the performance of individual assets and sectors in order to dispose of non-performing assets and rebalance the portfolio for the changing market.</p>
<p>Political risk</p> <p>Links to strategy Portfolio/People/Capital</p>	<p>Risk description There is a risk that regulatory and tax changes could adversely affect the market in which the Group operates and changes in legislation could lead to delays in receiving planning permission.</p> <p>There remains uncertainty over the outcome of the United Kingdom's decision to leave the European Union.</p> <p>Mitigation/action Management seeks advice from experts to ensure it understands the political environment and the impact of upcoming regulatory and tax changes on the Group. It maintains good relationships with planning consultants and local authorities.</p>

FINANCIAL RISKS

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

Availability of bank borrowing and cash resources

Links to strategy

Capital

Risk description

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

Mitigation/action

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

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

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

Breach of loan covenants

Links to strategy

Capital

Risk description

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

Mitigation/action

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

Increase in cost of borrowing

Links to strategy

Capital

Risk description

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

Mitigation/action

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

OPERATIONAL RISKS

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

Employment and retention of key personnel

Links to strategy
People

Risk description

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

Mitigation/action

The senior management team is very experienced and the average length of service is high. The Nominations Committee and Board regularly review succession planning issues and remuneration is set to attract and retain high calibre staff. The Group has well established relationships with joint venture partners.

Reliance on key contractors and suppliers

Links to strategy
Portfolio/People

Risk description

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

Mitigation/action

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

Inability to asset manage, develop and let property assets

Links to strategy
Portfolio

Risk description

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

Mitigation/action

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

Health and safety/bribery and corruption risk

Links to strategy
Portfolio/People

Risk description

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

Mitigation/action

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

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

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

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

Property acquisitions or disposals are linked to criminal activities

Links to strategy
Portfolio

Risk description

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

Mitigation/action

The Group engages legal professionals to undertake due diligence and money laundering checks as well as obtaining documentation on checks performed by the vendor's legal team. All property transactions are reviewed and authorised by the Executive Committee.

Disruption to the business from failure of Information Technology systems

Links to strategy

People

Risk description

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

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

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

Mitigation/action

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

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

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

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

REPUTATIONAL RISKS

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

Poor management of stakeholder relations

Links to strategy

People

Risk description

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

Mitigation/action

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

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

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

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

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

Modern Slavery and Human Trafficking

Links to strategy

People

Risk description

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

Mitigation/action

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

General Data Protection Regulation (GDPR)

Links to strategy

People

Risk description

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

Mitigation/action

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