



KEY HIGHLIGHTS

Delivery against key performance indicators:

- Agreed and signed an option for lease in respect of an 18 acre site at Avonmouth for a 100MW_e power plant
- Submitted an application for Section 36 consent and deemed planning permission for the 100MW_e project at Avonmouth
- Secured planning consent for a biomass plant in Rothes
- Entered into a joint venture with The Combination of Rothes Distillers for the development of the biomass plant
- Made progress in negotiating sites for future large projects
- Reorganised and strengthened the Board with a focus on project delivery, utility experience and project financing
- Appointed Keith Henry as non-executive Chairman
- Appointed Adrian Bowles as Chief Executive Officer
- Cash investment of £2.8 million into current projects
- Corporate overheads and development in line with budget

IFC KEY HIGHLIGHTS
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IBC ADVISERS AND GENERAL INFORMATION

ADVISERS AND GENERAL INFORMATION

COUNTRY OF INCORPORATION

England & Wales

LEGAL FORM

Public limited company

DIRECTORS

Keith Henry (non-executive Chairman)
Dr Adrian Bowles (Chief Executive Officer)
Alan Lyons (Chief Financial Officer)
Christopher Corner (Commercial Director)
J Barclay Forrest OBE (non-executive director)
John Seed (non-executive director)
David Brocksom (non-executive director)

COMPANY SECRETARY AND GENERAL COUNSEL

William J Ingram Hill

REGISTERED AND HEAD OFFICE

Helius Energy plc
242 Marylebone Road
London NW1 6JL
+44 (0) 20 7723 6272

COMPANY NUMBER

5745512

SOLICITORS

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol BS1 4AH

AUDITORS

BDO LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5RU

NOMINATED ADVISERS AND BROKERS

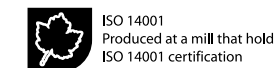
Matrix Corporate Capital LLP
One Vine Street
London W1J 0AH

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham BR3 4TU

BANKERS

Barclays Bank plc
71 Grey Street
Newcastle Upon Tyne NE1 6EF



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CHAIRMAN'S REPORT



KEITH HENRY
NON-EXECUTIVE CHAIRMAN

I was very pleased to be invited to join the Board of Helius Energy plc in August 2009, and I am delighted to report on the good progress my colleagues and the Company⁽¹⁾ have made over the last twelve months.

The primary focus of the Company continues to be the development of biomass power plants in the UK through securing planning consent and negotiating the contracts required to build, fuel, and operate these plants. The team who make up Helius have a long association with the development and implementation of many major industrial projects, including those based on the commercial application of renewable energy. Together we have the proven technical, development capability, management skills and resources required to address all the aspects necessary to achieve successful and commercial projects.

In 2008 Helius permitted its first biomass fuelled 65MW_e project site at Stallingborough, on the south side of the Humber Estuary. The project was sold to RWE in 2008 with Helius Energy plc retaining an interest. In January 2009 planning permission was secured for a 7MW_e combined heat and power plant on a site at Rothes, Morayshire, Scotland. During the last twelve months we have continued with the development of our 100MW_e project at Avonmouth, and have made considerable progress in identifying and reviewing a number of prospective sites for further biomass schemes in the UK.

Given the global targets in place for renewables, the well publicised focus of world leaders on carbon reduction and the dramatic changes in the UK energy markets we will experience over the next ten years, we expect the prospects for renewable energy projects to grow. All the main UK political parties have made public commitments to put climate change at the top of their agenda.

With the opportunities currently in the market for developing biomass generation projects, I believe Helius is well positioned and resourced to build upon its previous success. The Company has a significant cash balance which will provide funding to undertake the multiple development initiatives planned for the next three years. When fully implemented into a power plant, the majority of these developments will need very considerable additional third party funding at financial closure. As each specific project progresses we will seek the active participation of investment and industrial partners.

We are continuing to develop a portfolio of biomass generation projects. This process is complex and takes time, invariably involving third parties and Government and, particularly for a large project, it is quite likely to span more than one year. It should be appreciated, therefore, that it is not always possible for the Company to release news on the progress of certain developments without potentially infringing confidentiality agreements or jeopardising our position in these negotiations.

Over the last year the Helius team has been considerably strengthened, gathering momentum and experience at all levels. None of the progress achieved in 2009 would have been possible without a great deal of hard work and dedication by our management and staff. On behalf of the Board I would like to congratulate them and extend my thanks to all of them for their efforts.

While we can expect the current UK business environment to remain challenging, our task is to continue to build on Helius' achievements to date. I very much look forward to working alongside the Helius team as we implement our strategy of developing and building fully operational biomass plants.


KEITH HENRY
CHAIRMAN

⁽¹⁾ In this report the "Company" shall mean Helius Energy plc and/or, where the context otherwise requires, any relevant subsidiary of Helius Energy plc.

BUSINESS REVIEW



DR ADRIAN BOWLES
CHIEF EXECUTIVE OFFICER



ALAN LYONS
CHIEF FINANCIAL OFFICER

OUR BUSINESS

Helius was established to develop biomass fuelled renewable generation plants to address the increasing importance that has been given to climate change. Helius' projects mitigate climate change by cutting greenhouse gas emissions using sustainable biomass fuel.

Our strategy is to identify, develop, own and operate biomass projects. The Helius team has extensive knowledge of the UK renewable energy market, biomass energy technologies and their related economics. We use this knowledge to identify sites that offer attractive returns, readily available feedstocks, good transportation logistics and related infrastructure. Since inception, the Company has invested its funds and resources specifically to ensure that we fully understand and can adequately mitigate the development risks.

We believe there is a significant opportunity to develop biomass projects within the UK:

- The Helius team is experienced in bringing together all of the consenting, technical, feedstock and financial aspects of biomass projects.

- We assess individual sites, working closely with the site owners, consultees, technology providers and other interested parties from the outset. We only take forward selected projects that are commercially viable.

- Helius has experience of negotiating power purchase agreements with electricity suppliers, together with renewable certificates.

- Helius believes that biomass energy schemes should be beneficial to the locality and we take a pro-active stance in helping local communities understand the environmental and other benefits.

Our goal for all projects is to ensure that a competitive and compatible design is achieved for the plant and its fuel source, which will maximise the project returns whilst mitigating operational and performance risk. Helius has no pre-existing commercial or contractual arrangements with major plant suppliers or contractors and we are therefore free to provide solutions that are engineered to the individual circumstances and requirements of each site.

The choice of technology is determined by the need for proven and reliable performance. This is largely based on the compatibility and commercial feasibility of available biomass fuel sources, including transport and infrastructure options for its delivery to the plant. We work with our feedstock providers to develop strategies to ensure the security of supply at competitive cost.

DEVELOPMENT COSTS

During the year the Company incurred project development costs of £2.8 million. The primary focus for this expenditure was the progression of the 100MW_e biomass scheme at Avonmouth through the Section 36 consenting process, and the engineering of the smaller co-located project in Rothes, Morayshire. All development costs were in line with those budgeted. The Company strictly controls its expenditure and has made increasing use of in-house resources, reducing the need for third party consultants.

CASH POSITION

Cash and short-term deposits held by the Company, as at the 30 September 2009, was £14.7 million. Cash held in sterling by the Company is placed on deposit in a number of UK institutions with a minimum rating of AA-.

KEY PERFORMANCE INDICATORS

The Company has delivered the key milestones identified in its prospectus when it was admitted on AIM in January 2007. Over the period since admission, we have gained the experience and ability to identify, develop and implement multiple projects.

The following Key Performance Indicators were met during the year:

- Agreed and signed an option for lease for a site at Avonmouth for a 100MW_e biomass power plant
- Submitted an application for Section 36 consent and deemed planning permission for the project at Avonmouth
- Secured planning consent for a biomass plant in Rothess
- Entered into a joint venture with The Combination of Rothess Distillers for the development of the Rothess biomass plant
- Strengthened the Board with a focus on project delivery, utility experience and project financing by the appointment of Keith Henry as non-executive Chairman and Adrian Bowles as Chief Executive Officer
- Cash balance of £14.7 million
- Cash investment of £2.8 million into current projects

OUTLOOK

Our strategy remains one of focusing the Company's resources on delivering projects to financial closure, managing the projects' implementation and operation. Our intent is to retain an equity interest in future projects in addition to receiving a development fee from third parties in exchange for project equity.



ADRIAN BOWLES
CHIEF EXECUTIVE OFFICER



ALAN LYONS
CHIEF FINANCIAL OFFICER

KEY FINANCIAL HIGHLIGHTS**INCOME STATEMENT**

	2009 £'000	2008 £'000
Revenue ⁽¹⁾	554	—
Cost of sales	(541)	—
Administration costs	(2,216)	(2,250)
Change in fair value/sale of Heliuss Energy Alpha	(2,170)	33,594
Non cash impairments	(269)	—
Operating (loss)/profit	(4,642)	31,343
Net finance income/(expense)	668	(669)
(Loss)/profit before tax	(3,974)	30,674

(1) Relates to revenues associated with the transitional services agreement with RWE. Further details (see note 13).

During the year the Company's net cash outflow was £9.2 million, of which, £2.8 million was invested in current projects, and £4.8 million related to the payment of creditors outstanding with respect to the sale of the Stallingborough project.

DIRECTORS

KEITH HENRY, FREng (64)

NON-EXECUTIVE CHAIRMAN

Keith has over 35 years' international business experience in the development, financing, ownership, design and construction of electricity, oil and gas, civil and process related organisations, during which time he was Chief Executive of National Power plc, Kvaerner Engineering and Construction plc and Brown & Root Limited. In recent years he has held a number of senior non-executive roles, including currently being the Chairman of Regal Petroleum plc and the Senior Director of Sterling Energy plc.

He is a Fellow of the Institution of Civil Engineers and a Fellow of the Royal Academy of Engineering.

ADRIAN BOWLES, PhD (45)

CHIEF EXECUTIVE OFFICER

Adrian is a Chartered Energy Engineer and holds a PhD in fluid mechanics. He specialises in renewable energy and sustainable energy project development and implementation. He has considerable experience in corporate and project finance, contracting and contract negotiations. He joined Helius as Technical Director in 2005 and was promoted to Chief Executive Officer in September 2009. He is a member of the Energy Institute and contributes to this forum.

ALAN LYONS, ACMA (38)

CHIEF FINANCIAL OFFICER

Alan has more than 19 years of experience within the energy sector. He began his accounting career with GEC in 1989 and has since held various positions in ABB, Alstom and Siemens. During this time Alan has worked within businesses that design, manufacture, install and service rotating equipment within the power generation, and oil and gas markets. He has gained considerable experience of capital projects, project management, financial systems implementation and business start ups.

CHRISTOPHER CORNER, MBA (45)

COMMERCIAL DIRECTOR

Chris holds a BSc in physics, an MSc in engineering ceramics and an MBA. His experience covers engineering materials, commodity chemicals, cables. He has delivered major change programmes in T&N and ICI and established a joint venture with Hitachi Cable for BICC. Chris acted as head of inward investment in setting up Renaissance South Yorkshire a regeneration delivery body in South Yorkshire.

BARCLAY FORREST, OBE (68)

NON-EXECUTIVE DIRECTOR

Barclay farmed in Berwickshire and developed one of the UK's largest grain drying, storing and haulage businesses. He is a former Vice President of the Scottish NFU and past Chairman of British Cereal Exports. He was Vice President of The China Britain Business Council, responsible for Food and Agriculture. He is currently a non-executive Director of D1 Oils plc.

JOHN SEED, MBA (51)

NON-EXECUTIVE DIRECTOR

John has over 15 years' experience within renewable energy and sustainable systems. He has worked for several of the UK's largest renewable energy companies, and advised government and local authorities on the formulation and implementation of policy for the promotion and implementation of the UK's renewable energy industry. John was Chief Executive of Helius until September 2009 and remains as a non-executive Director. John is currently a member of the Renewables Advisory Board, which provides advice to the UK Government on a wide range of renewable energy issues.

DAVID BROCKSOM, FCA (49)

NON-EXECUTIVE DIRECTOR

David was appointed to the Board in December 2009 as a non-executive director and Chairman of the Audit Committee. He is currently Finance Director at UK Coal plc, and was previously Finance Director of Pace Micro Technology plc and Avesco plc. He has worked in a number of UK listed companies, for over 15 years as a Board member. He qualified as a Chartered Accountant with Price Waterhouse having read Law at Cambridge University.

WILLIAM J. INGRAM HILL, SOLICITOR (33)

COMPANY SECRETARY & GENERAL COUNSEL

William trained as a solicitor with city law firm Allen & Overy, qualifying into the firm's corporate energy and utilities team in 2002, and has since advised on an extensive range of transactions in the energy and other sectors. In 2007 he moved to Bristol firm Burges Salmon LLP, from which he joined Helius Energy plc as General Counsel in February 2009. He was appointed Company Secretary of Helius in August 2009.

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements for the year ended 30 September 2009.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on page 12 and shows the loss for the period.

The directors do not recommend the payment of a dividend for the period.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Company in the period under review is to develop, build and operate renewable biomass sites within the UK and overseas.

The period under review covers the ongoing consenting process and development costs for the 100MW_e Avonmouth project and the smaller CoRD project in Rothas, Morayshire.

The Company is continually reviewing other suitable UK sites for large biomass power projects. It is anticipated that the Company will secure a further site for another 100MW_e biomass plant during the first half of 2010 and commence work on the application for a development consent.

The statutory disclosures for a business review are included in the Chairman's Report and the Business Review on pages 1 to 3.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors do not consider liquidity a material risk to the business. The cash requirement of the Company is forecast by the Board annually in advance, enabling the Company's cash requirements to be anticipated.

The Company's plans are exposed to electricity market price risk through variations in the wholesale price of electricity and biomass material. Currently the Company has not entered into any forward contracts to fix prices of these commodities. The directors will continue to monitor the benefit of entering into such contracts.

The Company believes that its future success will greatly depend upon the expertise and continued services of certain key executives and technical personnel, including, in particular, the executive directors and key senior managers. The Company benchmarks remuneration levels of key staff and has put in place a share option scheme linked to project performance.

Various issues relating to energy project development pose risks which may lead to circumstances having a substantial adverse effect on the Company's business, financial condition, trading performance and prospects. Such issues include:

- continued dependence on the ability of the executives to locate, select, develop and realise appropriate opportunities. Suitable opportunities may not be located and projects may not be successful;
- securing the necessary consents may be subject to delays beyond the Company's control, which may subsequently cause any or all of the projects to be delayed or aborted. There is also no guarantee that any or all of the necessary consents will be granted;
- the availability of feedstocks for the Company's projects is affected by various factors, including climate change, crop productivity, pests (and related phytosanitary restrictions), shipping availability and labour shortages;
- foreign sourced supplies are subject to special risks that may disrupt markets, including the risk of war, terrorism, civil disturbances, embargo, and government activities. There can be no assurance that the Company will not experience difficulties in connection with future foreign supplies and, in particular;
 - foreign currency fluctuations will impact both the cost of construction and potentially fuel for biomass plants;
 - the Company could be adversely affected if any of its operations failed to comply with EU, UK and local environmental and health and safety laws and regulations. Failure or inability to comply with any such statutes or regulations could result in civil or criminal liability, the limitation, suspension or termination of operations, imposition of clean up costs, fines or penalties and large expenditures, which may adversely affect the Company's business results from operations or financial condition; and
- the Company could be adversely affected by any changes to the Renewables Obligation Order if such a change caused a reduction in revenues from Renewable Obligation Certificates.

DIRECTORS' REPORT

CONTINUED

DIRECTORS

The following directors have held office throughout the financial year:

Mr Keith N Henry (non-executive Chairman) – appointed August 2009
 Dr Adrian C Bowles – appointed Chief Executive Officer September 2009
 Mr Alan G Lyons
 Mr Christopher M Corner
 Mr J Barclay Forrest (non-executive)
 Mr John M Seed – resigned as Chief Executive and appointed as non-executive September 2009
 Mr Alex D Worrall (non-executive Chairman) – resigned April 2009
 Mrs Michelle S Morris – resigned April 2009
 Mr Demetri Pappadopoulos (non-executive) – resigned January 2009

The following Board appointment was made after the financial year end:

Mr David G Brocksom (non-executive) – appointed December 2009

SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' HOLDINGS

At 5 January 2010, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more and the shareholdings of directors in the issued share capital of Helius Energy plc:

	Number of shares	Percentage of issued shares	Share options held
Independent shareholders			
Mr and Mrs Angus Macdonald	14,675,736	17.23%	nil
Fidelity	8,494,732	9.98%	nil
Mr and Mrs David Sonnenberg*	6,241,116	7.33%	nil
Mr Alex D Worrall*	3,846,733	4.52%	832,416
Strathclyde Pension Fund	3,682,883	4.32%	nil
Gartmore Investment Management	3,335,001	3.94%	nil
Directors' shareholdings			
Mr and Mrs Christopher M Corner*	5,558,242	6.52%	912,916
Mr John M Seed*	3,277,473	3.85%	912,916
Dr Adrian C Bowles*	2,027,473	2.38%	1,582,916
Mr and Mrs J Barclay Forrest*	1,106,704	1.30%	279,166
Mr Keith N Henry	100,000	0.12%	nil
Mr Alan G Lyons	3,000	—	1,582,916

*Members of a concert party (the "Concert Party") as noted in the Helius Energy plc AIM admission document. The Company and its advisers have been working to satisfy the UK Panel on Takeovers and Mergers that certain members of the original Concert Party are no longer acting in concert.

EMPLOYMENT POLICY

It is the policy of the Company to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The directors encourage employees to be aware of all issues affecting the Company and place considerable emphasis on employees sharing in its success.

ENVIRONMENT

The Company adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction.

PAYMENT OF SUPPLIERS

It is the Company's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Company expects to pay all supplier debts as they fall due.

Trade creditor days for the Company at 30 September 2009 were 40 days (2008: 39 days).

FINANCIAL INSTRUMENTS

Details of the Company's exposure to risk from the use of financial instruments are set out in the notes to the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Company made no charitable or political donations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were re-appointed auditors during the period and have expressed their willingness to continue in office. A resolution re-appointing them will be proposed at the Annual General Meeting.

By order of the Board



ALAN LYONS

CHIEF FINANCIAL OFFICER

CORPORATE GOVERNANCE

COMPLIANCE

Throughout the period ending 30 September 2009 the Company complied with the applicable corporate governance rules and best practice provisions for companies set out in Section 1 of the Combined Code on Corporate Governance, and continues to keep its overall system of internal control under review.

BOARD EFFECTIVENESS

With the appointment of David Brocksom, on 1 December 2009, the Board comprises the non-executive Chairman, three other non-executive directors and three executive directors.

There is a clear separation of the roles of Chairman and Chief Executive Officer to ensure an appropriate balance of power and authority.

The Board is responsible for leading and controlling the Company's activities and, in particular:

- providing entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be assessed and managed;
- setting the Company's strategic aims, objectives, strategy and policies, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- reviewing management performance;
- setting the Company's values and standards and ensuring that the Company's obligations to its shareholders and others are understood and met;
- approving substantial transactions, contracts and commitments;
- reviewing the performance of the Company;
- undertaking risk assessment; and
- scrutinising and approving senior appointments to the management team.

The key procedures which exist to provide effective internal control are as follows:

- holding regular Board, Audit and Remuneration Committee meetings;
- clear limits of authority;
- annual revenue and cash flow forecasts;
- financial controls and procedures; and
- review of risks and internal controls.

Executive directors are responsible for the implementation of strategy and policies and the day to day decision making and administration of the Company.

The independent non-executive directors bring additional experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of independent judgement. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

BOARD COMMITTEES

The Company has an Audit Committee and a Remuneration Committee.

The Audit Committee is comprised of all non-executive directors of the Company and, with effect from his appointment on 1 December 2009, is chaired by David Brocksom. The Audit Committee determines the application of the financial reporting and internal control principles for the Company, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The Audit Committee has primary responsibility for the appointment of the external auditor.

The Remuneration Committee comprises all of the non-executive directors of the Company and is chaired by J Barclay Forrest. It reviews the performance of the directors and sets their remuneration, determines the payment of bonuses to directors and considers bonuses and option grants to employees of the Company as a whole. No member of the Board is permitted to participate in decisions concerning his own remuneration. The Company uses the services of external remuneration and benefits consultants where appropriate.

During the financial year ending on 30 September 2009, the number of Board and committee meetings attended by individual directors was as follows:

	Board	Audit	Remuneration
Keith Henry (appointed August 2009)	4	—	—
John Seed	14	—	1
Barclay Forrest	12	2	1
Adrian Bowles	12	—	—
Alan Lyons	15	2	—
Chris Corner	15	—	—
Alexander Worrall (resigned April 2009)	7	1	1
Michelle Morris (resigned April 2009)	5	—	—
Demetri Pappadopoulos (resigned January 2009)	—	—	—

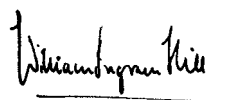
The executive directors have service contracts with the Company that may be terminated on twelve months' notice by either party. The non-executive directors have contracts that may be terminated on three months' notice by either party.

RELATIONSHIPS WITH SHAREHOLDERS

The Board values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality management.

The AGM is used to communicate with Investors and documents are sent to shareholders at least 21 working days before the meeting. The chairmen of the Audit and Remuneration Committees are available to answer relevant questions. Separate resolutions are proposed on each substantive issue so that they can be given proper consideration and there is a resolution to receive and consider the annual report and financial statements. The Company counts all proxy votes, and will indicate the levels of proxies lodged, in respect of each resolution, after that resolution has been voted on by a show of hands.

By order of the Board



WILLIAM J INGRAM HILL
COMPANY SECRETARY

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HELIUS ENERGY PLC

We have audited the financial statements of Helius Energy plc for the year ended 30 September 2009 which comprise the consolidated income statement, the consolidated statement of changes of equity, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- ✔ the financial statements give a true and fair view of the state of the Company's and the parent company's affairs as at 30 September 2009 and of the Company's loss for the year then ended;
- ✔ the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ✔ the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ✔ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ✔ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us;
- ✔ the parent company financial statements are not in agreement with the accounting records and returns;
- ✔ certain disclosures of directors' remuneration specified by law are not made; or
- ✔ we have not received all the information and explanations we require for our audit.



NICHOLAS GILES WHARTON (SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF BDO LLP, STATUTORY AUDITOR
LEEDS, UNITED KINGDOM
22 FEBRUARY 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Note	Year ended 30 September 2009 €	Year ended 30 September 2008 €
Revenue		553,760	—
Cost of sales		(540,735)	—
Gross profit		13,025	—
Other administrative expenses		(2,158,629)	(1,924,693)
Share-based payment costs		(58,174)	(325,960)
Impairment of property, plant and equipment	10	(58,569)	—
Impairment of other receivables	12	(210,000)	—
Total administrative expenses		(2,485,372)	(2,250,653)
Change in fair value of earn out/sale of Helius Energy Alpha	13	(2,170,000)	33,593,672
Operating (loss)/profit	4	(4,642,347)	31,343,019
Finance income	6	667,958	43,752
Finance expenses	6	—	(712,987)
(Loss)/profit before tax		(3,974,389)	30,673,784
Tax expense	7	—	—
(Loss)/profit for the year attributable to equity holders of the parent company		(3,974,389)	30,673,784
Basic (loss)/profit per share attributable to equity holders of the parent company (pence)	8	(4.69)	42.54
Diluted (loss)/profit per share attributable to equity holders of the parent company (pence)	8	(4.69)	38.22

The notes on pages 16 to 30 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2009

	Note	30 September 2009 €	30 September 2008 €
Non-current assets			
Property, plant and equipment	10	3,497,954	651,304
Loans and receivables	13	12,298,000	14,254,000
Total non-current assets		15,795,954	14,905,304
Current assets			
Trade and other receivables	15	561,311	2,013,262
Cash and cash equivalents		14,731,381	23,949,171
Total current assets		15,292,692	25,962,433
Total assets		31,088,646	40,867,737
Non-current liabilities			
Loans and borrowings	17	—	(76,489)
Total non-current liabilities		—	(76,489)
Current liabilities			
Loans and borrowings	17	(76,489)	—
Trade and other payables	16	(861,053)	(6,533,939)
Total current liabilities		(937,542)	(6,533,939)
Total liabilities		(937,542)	(6,610,428)
Total net assets		30,151,104	34,257,309
Total capital and reserves attributable to equity holders of the parent company			
Share capital	18	847,727	854,274
Share premium reserve		4,807,622	4,768,205
Capital redemption reserve		10,130	—
Merger reserve		1,850,225	1,850,225
Retained earnings		22,635,400	26,784,605
Total equity		30,151,104	34,257,309

The notes on pages 16 to 30 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 22 February 2010 and were signed on its behalf by:



ALAN LYONS
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Note	Year ended 30 September 2009 €	Year ended 30 September 2008 €
Operating activities			
(Loss)/profit for the year		(3,974,389)	30,673,784
Impairment of property, plant and equipment	10	58,569	—
Depreciation		23,758	14,372
Finance income	6	(667,958)	(43,752)
Finance expense	6	—	712,987
Share option costs		58,174	325,960
Change in fair value/profit on sale of Helius Energy Alpha		2,170,000	(33,593,672)
Loss before changes in working capital and provisions		(2,331,846)	(1,910,321)
Decrease/(increase) in trade and other receivables		56,951	(491,617)
(Decrease)/increase in trade and other payables		(5,672,886)	1,215,851
Net cash used in operating activities		(7,947,781)	(1,186,087)
Investing activities			
Purchase of property, plant and equipment	10	(2,928,977)	(3,385,519)
Cash received on sale of subsidiary	13	1,395,000	26,745,600
Interest received	6	453,958	43,752
Net cash (used in)/received from investing activities		(1,080,019)	23,403,833
Financing activities			
Interest paid and finance expenses		—	(571,413)
Share issue		43,000	2,009,000
Purchase of ordinary shares for cancellation		(232,990)	(256,463)
Loan stock issued net of fees		—	826,489
Loan repayment		—	(2,500,000)
Net cash from financing activities		(189,990)	(492,387)
Net (decrease)/increase in cash and cash equivalents		(9,217,790)	21,725,359
Cash and cash equivalents at the beginning of the period		23,949,171	2,223,812
Cash and cash equivalents at the end of the year		14,731,381	23,949,171

The notes on pages 16 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2009

2008	Convertible debt reserve £	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
Changes in equity						
At 1 October 2007	55,713	712,524	3,157,418	1,850,225	(4,215,139)	1,560,741
Profit for the year	—	—	—	—	30,673,784	30,673,784
Total recognised income and expense for the year	—	—	—	—	30,673,784	30,673,784
Issue of share capital	—	148,898	1,860,102	—	—	2,009,000
Share-based payments	—	—	—	—	325,960	325,960
Share buyback	—	(7,148)	(249,315)	—	—	(256,463)
Issue of convertible debt option, net of issue costs	26,959	—	—	—	—	26,959
Cancellation of convertible debt reserve	(82,672)	—	—	—	—	(82,672)
At 30 September 2008	—	854,274	4,768,205	1,850,225	26,784,605	34,257,309
2009	Capital redemption reserve £	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
Changes in equity						
At 1 October 2008	—	854,274	4,768,205	1,850,225	26,784,605	34,257,309
Loss for the year	—	—	—	—	(3,974,389)	(3,974,389)
Total recognised income and expense for the year	—	—	—	—	(3,974,389)	(3,974,389)
Issue of share capital	—	3,583	39,417	—	—	43,000
Share-based payments	—	—	—	—	58,174	58,174
Share buyback	10,130	(10,130)	—	—	(232,990)	(232,990)
At 30 September 2009	10,130	847,727	4,807,622	1,850,225	22,635,400	30,151,104

The notes on pages 16 to 30 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 31 to 36.

BASIS OF CONSOLIDATION

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Intercompany transactions and balances between companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of Helius Energy plc and all of its subsidiary undertakings as at 30 September 2009, using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of the subsidiary undertakings are included from the date of acquisition.

On 9 June 2006 Helius Energy plc entered into a share for share exchange agreements with the shareholders of Helius Power Limited, whereby Helius Energy plc acquired the entire share capital of Helius Power Limited, the consideration being satisfied by the allotment of ordinary shares in Helius Energy plc to the shareholders of Helius Power Limited.

As this transaction is outside the scope of IFRS 3 and in the absence of any relevant guidance under International Financial Reporting Standards, the acquisition has been accounted for as a Company reconstruction as permitted under UK Financial Reporting Standard 6, the most relevant accounting treatment that can be applied to the situation.

Under merger accounting the acquisition has been accounted for as though the Company, as currently constituted, has been in place for the whole of the period covered by these financial statements. As such, the results have been presented as though Helius Power Limited and its subsidiary company had always been part of Helius Energy plc.

CHANGES IN ACCOUNTING POLICIES

(a) New standards, amendments to published standards and interpretations to existing standards effective in the year ended 30 September 2009 adopted by the Company

- Amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments' (effective for transactions on or after 1 July 2008). This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of this amendment by the Company has not resulted in any reclassification of financial instruments since the Company has not taken advantage of the options available.
- IFRIC 11, IFRS 2 'Group and Treasury Share Transactions' (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). There was no impact on the Company's financial statements from its adoption.
- IFRIC 14, IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. There was no impact on the Company's financial statements from its adoption.

(b) Standards, interpretations and amendments to published standards that are effective but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are currently not relevant to the Company's operations:

- IFRIC 12 'Service Concession Arrangements' (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations due to absence of such arrangements.
- IFRIC 13 'Customer Loyalty Programmes' (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Company's operations at this time.

1. ACCOUNTING POLICIES CONTINUED

CHANGES IN ACCOUNTING POLICIES CONTINUED

(c) Standards, amendments and interpretations to published standards not yet effective and not adopted early by the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods and which the Company has decided not to adopt early. These are:

- IFRS 8 'Operating Segments' (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14 'Segmental Reporting'. The Company expects to apply this standard in the accounting period beginning on 1 October 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Company.
- IAS 23 'Borrowing Costs' (revised) (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. Management is still assessing its impact on the financial statements.
- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 clarifies the definition of a construction contract and provides guidance on how to account for revenue. Management is still assessing its impact on the financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements: A Revised Presentation' (effective for accounting periods beginning on or after 1 January 2009). The amendment to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. Management is still assessing its impact on the financial statements.
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). The amendment relates to acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether control is gained or not, or a transaction simply results in a change in the percentage of the controlling interest. Management is still assessing its impact on the financial statements.
- Revised IFRS 3 'Business Combinations' and complementary amendments to IAS 27 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the financial statements.
- Amendment to IFRS 2 'Share-based Payments: Vesting Conditions and Cancellations' (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The amendment to IFRS 2 is of particular relevance to companies that operate employee shares save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Management is currently assessing the impact of the amendment on the financial statements.

REVENUE RECOGNITION

Revenue for the Company is measured at the fair value of the consideration received or receivable. Revenue in the current year represents income arising from the Transitional Sale Agreement with RWE Innogy in respect of services which were provided in the first six months. Included in the Helius Alpha sale, deferred income of £553,760 was deducted which related to a contract to provide services to the project for a period of six months following the sale in September 2008. No revenue was earned in the previous year.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible and other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCIES

Transactions entered into by Company entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the income statement of Company entities' separate financial statements on the translation of long-term monetary items forming part of the Company's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

FINANCIAL ASSETS

The Company classifies all of its financial assets as loans and receivables as discussed below. The Company has not classified any of its financial assets as held to maturity.

Loans and receivables: these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method.

The earn out receivable has arisen from the sale and purchase agreement with RWE and included as other income within the income statement in 2007/2008. The earn out receivable was originally recognised at fair value and thereafter carried at amortised cost with judgement applied to expected cash flows.

In accordance with IAS 39, changes in expected cash flows are accounted for by restating the receivable to the present value of the revised expected cash flows (using the original effective interest rate). Any gain or loss is taken to the income statement.

The Board reviews the expected cash flows under the agreement on an annual basis which reflects any changes in assumed forecast energy prices, LIBOR rates and impacts of exchange rates on construction costs. Any differences to the prior year valuation are taken to income statement.

It is the Board's expectation that these assumptions will be subject to change throughout the life of the earn out, and, as a consequence, the carrying value of the earn out will be subject to adjustment, either positive or negative, at each reporting date.

The Company's loans and receivables comprise trade and other receivables in the balance sheet.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

FINANCIAL LIABILITIES

The Company classifies its financial liabilities as other financial liabilities.

Other financial liabilities: other financial liabilities include the following items:

- bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding; and
- trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

1. ACCOUNTING POLICIES CONTINUED

SHARE CAPITAL

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Office equipment – 25% per annum straight-line

Computer equipment – 25% per annum straight-line

ASSETS IN THE COURSE OF CONSTRUCTION

Assets in the course of construction are assets arising from the development phase of internal projects. The development phase covers costs incurred from the point at which the Company secures a site, or, an agreement for the purchase or lease of a site, through to the point at which the project can either be sold, or, finance is secured for construction of the project. During this phase costs are incurred in securing planning consent, and, negotiating the suite of contracts required in order to finance, build, own and operate a power plant. These are recognised if the Company can demonstrate all of the following:

- a) the technical feasibility of completing the asset so that it will be available for use or sale;
- b) its intention to complete the asset and use or sell it;
- c) its ability to use or sell the asset;
- d) how the asset will generate probable future economic benefits. Among other things the Company can demonstrate the existence of a market for the output of the asset or the asset itself. The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- e) its ability to measure reliably the expenditure attributable to the asset during its development.

In accordance with IAS 36, the Company is required to test these assets for impairment by comparing their recoverable amount with their carrying amount, annually and whenever there is an indication that the asset may be impaired.

Assets in the course of construction are not depreciated until they have been completed and have been commissioned for use within the Company.

INVESTMENT IN JOINT VENTURES

Jointly controlled entities are included in the financial statements using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the Company. Any premium paid for an interest in a jointly controlled entity above the fair value of the Company's share of identifiable assets, liabilities and contingent liabilities is dealt with under the goodwill policy.

LEASED ASSETS

Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

RETIREMENT BENEFITS: DEFINED CONTRIBUTION SCHEMES

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

SHARE-BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored in to the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

DEFERRED TAXATION

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Company; or
- different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) EARN OUT RECEIVABLE (SEE NOTE 13)

The earn out receivable has arisen from the sale and purchase agreement with RWE and included as other income within the income statement in 2007/2008.

The earn out receivable was originally recognised at fair value and thereafter carried at amortised cost with judgement applied to expected cash flows.

In accordance with IAS 39, changes in expected cash flows are accounted for by restating the receivable to the present value of the revised expected cash flows (using the original effective interest rate). Any gain or loss is taken to the income statement.

The Board reviews the expected cash flows under the agreement on an annual basis which reflects any changes in assumed forecast energy prices, LIBOR rates and impacts of exchange rates on construction costs. Any differences to the prior year valuation are taken to the consolidated income statement.

It is the Board's expectation that these assumptions will be subject to change throughout the life of the earn out and, as a consequence, the carrying value of the earn out will be subject to adjustment, either positive or negative, at each reporting date. Any gain or loss is taken to the income statement.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(B) ASSETS IN THE COURSE OF CONSTRUCTION

Assets in the course of construction are assets arising from the development phase of internal projects. These are recognised if the Company can demonstrate all of the following:

- a) the technical feasibility of completing the asset so that it will be available for use or sale;
- b) its intention to complete the asset and use or sell it;
- c) its ability to use or sell the asset;
- d) how the asset will generate probably future economic benefits. Among other things the Company can demonstrate the existence of a market for the output of the asset or the asset itself or, if it to be used internally, the usefulness of the asset;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- f) its ability to measure reliably the expenditure attributable to the asset during its development.

In accordance with IAS 36, the Company is required to test these assets for impairment by comparing their recoverable amount with their carrying amount, annually and whenever there is an indication that the asset may be impaired.

Assets in the course of construction are not depreciated until they have been completed and have been commissioned for use within the Company.

There is a risk that if the market conditions or underlying project assumptions change, such that the forecast project returns are no longer deemed to be sufficient in order to justify the continued development of the project, then the carrying value of the asset may be written down, or written off.

(C) SHARE-BASED PAYMENT

The Company has an equity-settled share-based scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using valuation models, such as Black-Scholes and binomial lattice, on the date of grant based on certain assumptions. Those assumptions are described in note 20 and include, among others, expected volatility, expected life of the options and number of options expected to vest. More details are disclosed in note 20.

(D) INCOME TAXES

The Company is subject to income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

(E) DEFERRED TAX ASSETS

Deferred tax assets are only recognised when there is a reasonable anticipation that the Company make profits in the foreseeable future against which the accumulated tax losses can be utilised.

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

FINANCIAL INSTRUMENTS

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

➤ Financial assets

➤ Loans and receivables

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents

➤ Financial liabilities

➤ At amortised cost

- Trade and other payables
- Loans from related parties

To the extent financial instruments are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 30 September 2008 and 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

CAPITAL MANAGEMENT

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company is reporting a loss for the period end 30 September 2009, the directors have recommended that due to this no dividends will be payable.

All shares issued in the period 30 September 2009 were in respect of the exercise of share options.

The Company's capital is made up of share capital, share premium and capital redemption reserve totalling £5.67 million.

The Company is exposed through its operations to the following key risks:

LIQUIDITY RISK

The cash requirements of the Company are forecast by the Board annually in advance and are monitored on a monthly basis throughout the year, enabling the Company's cash requirements to be anticipated. The type of cash instrument used to hold any surplus cash and its maturity date will depend on the Company's forecast cash requirements.

MARKET PRICE RISK

The Company is exposed to risk of variations in the wholesale price of electricity and biofuel material when assessing the financial viability of planned projects. Currently the Company has not entered into any forward contracts to fix prices of these commodities. The directors will continue to monitor the benefit of entering into such contracts.

Other risks that the Company is exposed to are:

FOREIGN CURRENCY RISK

Foreign currency fluctuations will impact both the cost of construction and potentially fuel for biomass plants.

CREDIT RISK

Credit risk is the risk of financial loss to the Company when a financial instrument due under contract is not received. The Company is exposed to credit risk largely through the cash deposits and the non-current earn out asset held due to the sale of Helius Alpha.

The earn out of 13% of after tax profits for 24 years is payable by the operating plant at Stallingborough and the future payments from the project have been secured by a guarantee from Innogy, the parent company of RWE in the UK. As such, management considers this to be a low risk to the Company.

The large cash balance of £14.7 million at 30 September 2009, is deposited in a number of UK banks in order to spread the risk in the current economic climate.

None of the trade and receivables balances as detailed in note 15 are past due or require impairment. In the year ended 30 September 2009 the non-current earn out asset as detailed in note 13 was impaired by £2,170,000.

The earn out is reviewed on an annual basis with the key assumptions for revenues and costs revisited based on latest market data and forecasts. Any changes to these key assumptions may have an impact on the carrying value of the earn out.

Helius Energy plc has a loan agreement with Carolina Pacific LLC based in Charleston, South Carolina. It is management's opinion that there is a risk that Carolina Pacific will be unable to make full repayment. The impairment of £210,000 is based upon the full value of the loan, less, the expected resale value of the asset, net of any recovery and sale costs.

4. (LOSS)/PROFIT FROM OPERATIONS

This has been arrived at after charging:

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Staff costs	2,576,732	1,303,668
Depreciation	23,758	14,372
Auditors		
Audit fees	43,500	40,000
Other taxation services	10,500	3,100
All other services	6,000	21,250
Operating lease expense – property	125,392	61,695

5. STAFF COSTS

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Staff costs (including directors) comprise:		
Wages and salaries	1,460,245	880,525
Social security costs	218,177	111,369
Defined contribution pension cost	87,473	53,812
Compensation for loss of office	218,125	—
Short-term non-monetary benefits	16,712	10,744
Bonus	576,000	1,813,980
	2,576,732	2,870,430

2008 – the average number of employees (including directors) during the period was 14.

2009 – the average number of employees (including directors) during the period was 23.

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Directors' remuneration		
Salaries	708,698	627,529
Company contributions to private pension schemes	47,081	38,750
Compensation for loss of office	218,125	—
Bonus	576,000	1,398,200
Short-term non-monetary benefits	5,540	5,839
	1,555,444	2,070,318

Emoluments of the highest paid director were £285,146 (2008: £355,853). Company pension contributions for the highest paid director were £11,813 (2008: £8,250).

Included in other creditors is £13,873 (2008: £8,740) of unpaid pension contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

6. FINANCE INCOME AND EXPENSE

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Finance income		
Bank interest receivable	453,958	43,752
Unwinding of discount from the sale of Helius Alpha	214,000	—
Finance expense		
Bank interest payable	—	(157,436)
Amortisation of loan issue costs	—	(155,551)
Finance fee	—	(400,000)
	—	(712,987)
Net finance income/(expense) recognised in profit or loss	667,958	(669,235)

The finance fee relates to the termination of a mandate agreement with the Bank of Ireland that was entered in 2007, the termination was required to allow the sale of the Stallingborough project to RWE.

The unwinding of the discount from the sale of Helius Energy Alpha represents the increased value of the earn-out based upon the original assumptions made in September 2008. Any changes to the valuation as a consequence of changes in underlying assumptions is shown against the line "sale of Helius Energy Alpha".

7. TAX EXPENSE

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Current tax expense		
UK corporation tax	—	—
	—	—
Deferred tax expense		
Origination and reversal of temporary differences	—	—
Total tax charge	—	—

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to losses for the period are as follows:

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
(Loss)/profit before tax	(1,930,842)	30,673,784
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (prior year 29%)	(540,636)	8,895,399
Expenses not deductible for tax purposes	104,320	159,632
Income not taxable (sale of Helius Alpha)	—	(9,742,165)
Other tax differences	(12,495)	1,741
Tax losses carried forward	448,810	685,393
Total tax charge for the period	—	—

The Company has tax losses carried forward of approximately £5,230,000 for 30 September 2009 and approximately £3,750,000 for 30 September 2008. These can be set off against future trading profits. No deferred tax asset has been recognised in the accounts in respect of these losses as there is not, in the foreseeable future, a taxable profit available against which the unused tax loss can be utilised.

8. EARNINGS PER SHARE

The calculation of the earnings per share is based on the following data:

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
(Loss)/profit		
(Loss)/profit used in calculating basic and diluted (loss)/profit per share for the year	(3,974,389)	30,673,784
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/profit per share	84,825,236	72,102,817
Effect of employee share options	7,451,272	8,134,604
Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	92,276,508	80,237,421

There are 7,451,272 potentially dilutive options over the ordinary shares at 30 September 2009 (2008: 8,134,604 options) (see note 20). The above instruments are potentially dilutive but are not included in the calculation of diluted earnings per share because they were not dilutive for the period as their conversion to ordinary shares would decrease the loss per share.

9. DIVIDENDS

No dividends were declared in the period.

10. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment £	Assets in the course of construction £	Total £
Cost or valuation			
Balance at 1 October 2007	45,211	1,240,801	1,286,012
Additions	19,955	3,365,564	3,385,519
Assets held for sale	—	(3,998,519)	(3,998,519)
Balance at 30 September 2008	65,166	607,846	673,012
Balance at 1 October 2008	65,166	607,846	673,012
Additions	89,631	2,839,346	2,928,977
Disposals	(3,757)	—	(3,757)
Impairment	—	(58,569)	(58,569)
Balance at 30 September 2009	151,040	3,388,623	3,539,663
Accumulated depreciation			
Balance at 1 October 2007	7,336	—	7,336
Depreciation charge for the period	14,372	—	14,372
Balance at 30 September 2008	21,708	—	21,708
Balance at 1 October 2008	21,708	—	21,708
Depreciation charge for the year	23,758	—	23,758
Depreciation on disposals	(3,757)	—	(3,757)
Balance at 30 September 2009	41,709	—	41,709
Net book value			
At 30 September 2009	109,331	3,388,623	3,497,954
At 30 September 2008	43,458	607,846	651,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The impairment of assets in the course of construction relates to a land option secured for the Stallingborough project.

During the previous year certain non-current assets were re-classified as held for sale as a result of the decision to dispose of the Stallingborough project. Please see note 13 for further details.

11. INTANGIBLE FIXED ASSETS

Due to the management time required for the development of further projects the Board, during 2007, anticipated that no time would be allocated to the application of these patents. As a result no revenue streams are expected to be generated from these patents for the foreseeable future therefore the carrying value of £900,000 was fully impaired during 2007. The Board considers the treatment to be correct at 30 September 2009.

12. IMPAIRMENT OF OTHER RECEIVABLES

	Year ended 30 September 2009 €	Year ended 30 September 2008 €
Other receivables	(210,000)	nil

Helius Energy has a loan agreement with Carolina Pacific LLC based in Charleston, South Carolina. This loan is secured against a specific asset owned by Carolina Pacific, and charges have been registered over this asset by Helius Energy. It is management's opinion that there is a risk that Carolina Pacific will be unable to make full repayment. The impairment of £210,000 is based upon the full value of the loan, less, the expected resale value of the asset, net of any recovery and sale costs.

13. LOANS AND RECEIVABLES

ANALYSIS OF SALE

During the previous year, Helius Energy plc has disposed of Helius Energy Alpha Ltd (Alpha) to RWE Innology (UK) Ltd (RWE). Alpha contains the rights to planning permission and IP associated with the construction of a 65MW biomass powered energy generation plant at a site in Stallingborough in the north of England. The transaction was structured as follows:

	€
Cash received in year ended 30 September 2008	26,745,600
Retention	1,395,000
Total sale proceeds	28,140,600
Less deal costs, related costs and cost of investment	(8,800,928)
Earn out agreement calculated at fair value as at 30 September 2008	14,254,000
Profit on disposal of subsidiary recorded in year ended 30 September 2008	33,593,672

The retention balance of £1,395,000 was paid in cash on the 28 September 2009.

The profit on the disposal of the subsidiary was included in operating activities in the consolidated income statement in the year ended 30 September 2008 as the forming of a project and subsequent sale is considered to be an element of the principal activity of the Company. As part of the disposal consideration included an earn-out provision, this is reviewed on an annual basis with any change to carrying amount being reflected in the income statement.

EARN OUT AGREEMENT VALUATION

The forecasts used to value the earn-out have been prepared by management. The forecast profitability is based on an independent report on forecast energy prices for the 24 year period and pre-negotiated contracts for the following:

- the cost of the plant build;
- the plant fuel supply; and
- the operations of the plant.

While there is a probability that not all of these contracts will be utilised by RWE Innogy, the expectation is that any contracts not utilised will be on the basis of cost or efficiency savings which will ultimately enhance the profitability of the plant.

13. LOANS AND RECEIVABLES CONTINUED

EARN OUT AGREEMENT VALUATION CONTINUED

The forecasts also include various assumptions and judgements made by management in the following areas:

- ↗ plant availability – this has been estimated at 2% less than the guarantee levels associated with the plant. Any increase or decrease in the efficiency of the plant will affect the overall profitability and the net present value of the cash flows receivable;
- ↗ finance costs – an interest rate of LIBOR plus 0.75% has been assumed based on a gearing level of 90% which reflects the borrowing required for the build cost. Any change in LIBOR would affect this rate and the level of finance cost incurred;
- ↗ operating and management costs – these relate to estimated management fees charged by RWE group into the project. These costs are under the control of RWE and any movement in the assumptions of these costs will impact the profitability of the project; and
- ↗ discount rate – a rate of 9% has been used as this is the figure rate defined in the agreement with RWE.

At 30 September 2009 the directors reviewed the carrying value of the earn out in light of expected changes in cash flows relating to the long-term forecast for electricity prices, the latest 20 year forecast for LIBOR, exchange rate impact on construction costs and estimated date for commercial start up. This review was carried out by Heliuss Energy plc and has not been formally agreed with RWE. This review gave a revised carrying value of £12,298,000 leading to an adjustment of £1,956,000 which is shown in the consolidated income statement.

	£
Original earn out valuation	14,254,000
Unwinding of discount on original calculation	214,000
Revaluation at 30 September 2009	(2,170,000)
Earn out as at 30 September 2009	12,298,000

The asset was originally recognised at fair value of £14,254,000 in September 2008 and was calculated based on the net present value of Heliuss receiving 13% of the after tax profits from the biomass power plant for the first 24 years of commercial operation.

The unwinding represents the amount that would have been credited to the income statement if none of the underlying assumptions had changed.

DEFERRED CONSIDERATION

Included in the deductions for deal costs etc was a balance of £553,760 which related to a contract to provide services under the Transitional Sale Agreement with RWE for the period of six months to 31 March 2009. This amount was included in trade and other payables, as at 30 September 2008, and this income was released as revenue to the income statement over the first six months of this financial period.

14. SUBSIDIARIES

The principal subsidiaries of the Company, all of which have been included in these consolidated financial statements are as follows:

Name	Country of incorporation	Ownership as at 30 September 2009	Ownership as at 30 September 2008
Heliuss Power Limited	United Kingdom	100%	100%
Heliuss Energy Africa (Pty) Limited	South Africa	100%	100%
Distributed Power Systems Limited	United Kingdom	100%	100%
Heliuss Energy Gamma Ltd	United Kingdom	100%	100%
Heliuss Corde Limited	United Kingdom	51%	—
Heliuss Energy, Inc.	USA	100%	—

Heliuss Energy Africa (Pty) Limited is funded through loans from Heliuss Energy plc. These loans are approved by the Reserve Bank in South Africa allowing repatriation of funds to Heliuss Energy plc on demand.

Heliuss Energy Gamma Ltd was incorporated in 2008.

Heliuss Energy Alpha Ltd was sold in 2008.

Heliuss Corde Ltd was incorporated in 2009 although no direct investment was made into the JV within the year.

Heliuss Energy, Inc. was incorporated in January 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

15. TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Other debtors	383,183	569,347
Retention	—	1,395,000
Prepayments	178,128	48,915
	561,311	2,013,262

Retention of £1,395,000 being 5% of the sale proceeds on the sale of the Stallingborough project to RWE, was held in escrow until 28 September 2009 when it was paid in cash.

Other than the impairment of the loan provided to Carolina Pacific LLC none (2008: none) of other debtor balances are past due or impaired.

16. TRADE AND OTHER PAYABLES

	2009 £	2008 £
Trade creditors	381,938	3,360,342
Other taxes and social security	175,916	295,754
Accruals	303,199	2,324,083
Deferred income	—	553,760
	861,053	6,533,939

17. LOANS AND BORROWINGS

	2009 £	2008 £
Directors' loan – due within one year	76,489	—
Directors' loan – due after more than one year	—	76,489

The directors' loan represents a loan provided by a former director, A D Worall, who resigned in April 2009, to Helius Energy Africa Pty and is repayable during the financial year 2009/2010.

18. SHARE CAPITAL

	Authorised	
	2009 Number	2009 £
Ordinary shares of £0.01 each	200,000,000	2,000,000
	Issued and fully paid	
	2009 Number	2009 £
Ordinary shares of £0.01 each		
At 1 October 2008	85,427,320	854,274
Share buybacks	(1,013,000)	(10,130)
Other issues	358,332	3,583
At 30 September 2009	84,772,652	847,727

18. SHARE CAPITAL CONTINUED

	Authorised	
	2008 Number	2008 £
Ordinary shares of £0.01 each	200,000,000	2,000,000
	Issued and fully paid	
	2008 Number	2008 £
Ordinary shares of £0.01 each		
At 1 October 2007	71,252,279	712,524
Share buybacks	(714,774)	(7,148)
Other issues	14,889,815	148,898
At 30 September 2008	85,427,320	854,274

There have been 1,013,000 shares bought back at 23.0p in the year (2008: 714,774). All shares issued in the period 30 September 2009 were for share options exercised.

The following describes the nature and purpose of each reserve:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share in excess of nominal value
Capital redemption reserve	A reserve created for unissued shares as a result of a buy back
Convertible debt reserve	Amount of proceeds on issue of convertible debt relating to the equity component (option to convert debt into share capital)
Merger reserve	A reserve created on the combinations of companies within the Company
Retained earnings	Cumulative net profits recognised in the consolidated income statement

19. LEASES**OPERATING LEASES – LESSEE**

The Company leases its property. The total future value of minimum lease payments are due as follows:

	2009 £	2008 £
Not later than one year	32,455	78,880
Later than one year and not later than five years	510,000	—
Later than five years	733,125	—

20. SHARE-BASED PAYMENT

The Company operates an EMI approved scheme for executive directors and certain senior management. Under the EMI approved scheme, options vest if the market value of the shares is greater than 10% above the floatation price for a period of twelve months.

Total options granted and available to be exercised are shown in the table below:

	2009 Weighted average exercise price	2009 Number	2008 Weighted average exercise price	2008 Number
Outstanding at beginning of the year	14.6p	8,134,604	13.5p	7,606,772
Granted during the year	—	—	31.0p	527,832
Exercised during the year	12.0p	(433,332)	—	—
Expired during the year	12.0p	(250,000)	—	—
Outstanding at the end of the year	15.7p	7,451,272	14.6p	8,134,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

20. SHARE-BASED PAYMENT CONTINUED

ENTERPRISE MANAGEMENT INITIATIVE

The following table shows the average market price and the average exercise price for options issued under the enterprise management initiative scheme during 2008. No options were granted during 2009 as part of this scheme.

	2009	2008
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	—	31.0p
Exercise price	—	28.8p
Weighted average contractual life	—	9.7 years

The range of exercise prices of options outstanding at 30 September 2009 are 12.0p to 34.0p.

UNAPPROVED

The following table shows the average market price and the average exercise price for unapproved options issued during 2008 and 2009.

	2009	2008
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	16.0p	28.0p
Exercise price	26.5p	12.1p
Weighted average contractual life	5 years	9.7 years

The range of exercise prices of unapproved options outstanding at 30 September 2009 are 26.0p to 34.0p.

There were 2,980,448 unapproved options granted to directors and employees as part of a performance incentive scheme in the period, these are exercisable upon achieving defined objectives.

The options vest as follows:

	Total new options granted	Vest on financial close of Avonmouth project	Vest on financial close of large project 2	Vest on financial close of large project 3	Vest on financial close of CoRD project	Vest on financial close of small project 2
	2,980,448	894,134	894,134	894,134	149,023	149,023

21. RELATED PARTY TRANSACTIONS

Key management, being defined as the directors of the Company, received compensation in total as below:

	Year ended 30 September 2009 €	Year ended 30 September 2008 €
Short-term employee benefits	654,083	627,529
Payments into defined schemes	47,081	38,750
Share-based payments	33,377	202,581
Compensation for loss of office	218,125	—
	952,666	868,860

In addition to above related party transactions, and as disclosed in note 16, during 2008, A.D. Worrall who was then a director, but ceased to be such in April 2009, made a loan to Helius Energy Africa (Pty) Limited of £76,489. The balance is now payable within 1 year (2008: payable after more than 1 year).

22. CONTROL

There is no one controlling party. The Company is quoted on AIM.

PARENT COMPANY BALANCE SHEET

	Note	30 September 2009 £	30 September 2009 £	30 September 2008 £	30 September 2008 £
Fixed assets					
Tangible fixed assets	2	94,890		15,595	
			94,890		15,595
Current assets					
Stocks	5	1,979,002		607,847	
Debtors due within one year	6	1,860,824		2,353,060	
Debtors due after one year	11	12,298,000		14,254,000	
Cash at bank		14,731,361		23,948,550	
		30,869,187		41,163,457	
Creditors: amounts falling due within one year	7	(664,504)		(6,389,097)	
Net current assets			30,204,683		34,774,360
Total assets			30,299,573		34,789,955
Creditors: amounts falling due after more than one year			—		—
Net assets			30,299,573		34,789,955
Capital and reserves					
Share capital	8		847,727		854,274
Share premium			4,807,622		4,768,205
Capital redemption reserve	9		10,130		—
Merger reserve	9		309,392		309,392
Retained earnings	9		24,324,702		28,858,084
Shareholders' funds			30,299,573		34,789,955

The notes on pages 32 to 36 form part of these financial statements.

The financial statements were approved and authorised by the Board of directors and authorised for issue on the 22 February 2010.



ALAN LYONS
CHIEF FINANCIAL OFFICER

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2009

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

As provided by Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company alone has not been presented. The Company's retained loss for the year is disclosed note 9.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

Office equipment – 25% per annum straight-line
Computer equipment – 25% per annum straight-line

INVESTMENTS

Investments held as fixed assets are held at cost less provision for impairment. Where shares are issued at Company level the investment is recorded in the Company's balance sheet at the fair value of the shares issued together with the fair value of any consideration paid.

STOCK

Stock is initially recognised at cost and subsequently at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first-in first-out basis. Work in progress includes labour and attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress includes costs incurred on projects that the Company is currently developing. This includes projects that are currently being consented as well as projects that have received planning consent and are being progressed to financial close/construction.

Costs are not classed as work in progress until the Board believes that the Company will be able to secure both the land and the necessary planning consents in order to develop a project to completion.

The Board periodically reviews progress on these projects, the balance sheet value, and recoverability of these costs based on forecast project returns.

DEFERRED TAXATION

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

LEASED ASSETS

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

INVESTMENT IN JOINT VENTURES

Jointly controlled entities are included in the financial statements using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the Company. Any premium paid for an interest in a jointly controlled entity above the fair value of the Company's share of identifiable assets, liabilities and contingent liabilities is dealt with under the goodwill policy. Investments in joint ventures are stated at cost less any provision for impairment.

RETIREMENT BENEFITS: DEFINED CONTRIBUTION SCHEMES

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

1. ACCOUNTING POLICIES CONTINUED

SHARE-BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored in to the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

2. TANGIBLE FIXED ASSETS

	Computer and office equipment €
Cost	
At 1 October 2008	17,854
Additions during the period	89,631
At 30 September 2009	107,485
Accumulated depreciation	
At 1 October 2008	2,259
Depreciation charge for the year	10,336
At 30 September 2009	12,595
Net book value	
At 30 September 2009	94,890
At 30 September 2008	15,595

3. FIXED ASSET INVESTMENTS

	Investments €
Cost	
At 1 October 2008	12,100,000
Additions during the period	—
At 30 September 2009	12,100,000
Provision for impairment	
At 1 October 2008	12,100,000
Provision	—
At 30 September 2009	12,100,000
Net book value	
At 30 September 2009	—
At 30 September 2008	—

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

CONTINUED

3. FIXED ASSET INVESTMENTS CONTINUED

The investment represents 100% of the issued share capital of Helius Power Limited. This investment of £12,100,000 has now been fully impaired.

During the year the Company expanded its operational strategy to include the construction and operation of biomass fired renewable electricity generation. In the light of this change the Board reviewed the carrying value of the acquired patents.

Due to the management time now required for the development of the Stallingborough project the Board does not anticipate that any time can be allocated to the application of certain patents. As a result no revenue streams are expected to be generated from these patents for the foreseeable future and a provision for £900,000 has been made against the cost of investment.

The principal subsidiaries of the Company:

Name	Country of incorporation	Ownership as at 30 September 2009	Ownership as at 30 September 2008
Helius Power Limited	United Kingdom	100%	100%
Helius Energy Africa (Pty) Limited	South Africa	100%	100%
Distributed Power Systems Limited	United Kingdom	100%	100%
Helius Energy Gamma Ltd	United Kingdom	100%	100%
Helius Energy, Inc.	USA	100%	—
Helius Corde Limited	United Kingdom	51%	—

Helius Energy Africa (Pty) Limited is funded through loans from Helius Energy plc. These loans are approved by the Reserve Bank in South Africa allowing repatriation of funds to Helius Energy plc on demand.

Helius Energy Gamma Ltd was incorporated in 2008.

Helius Energy Alpha Ltd was sold in 2008.

Helius Energy, Inc. was incorporated in January 2009.

Helius Corde Ltd was incorporated in 2009.

4. PATENTS

	Investments £
Cost	
At 1 October 2008	900,000
Additions during the period	—
At 30 September 2009	900,000
Provision for impairment	
At 1 October 2008	900,000
Provision	—
At 30 September 2009	900,000
Net book value	
At 30 September 2009	—
At 30 September 2008	—

5. STOCKS

	2009 £	2008 £
Work in progress	1,979,002	607,847

In the consolidated financial statement this is referred to as assets in the course of construction.

6. DEBTORS

	2009 £	2008 £
Prepayments and other debtors	491,578	595,060
Retention	—	1,395,000
Amounts owed by Company undertakings	1,369,246	363,000
	1,860,824	2,353,060

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	209,664	3,215,500
Other taxes and social security	175,916	295,754
Accruals and other creditors	278,924	2,877,843
	664,504	6,389,097

8. SHARE CAPITAL

	Authorised	
	2009 Number	2009 £
Ordinary shares of £0.01 each	200,000,000	2,000,000
	Issued and fully paid	
	2009 Number	2009 £
Ordinary shares of £0.01 each		
At 1 October 2008	85,427,320	854,274
Share buybacks	(1,013,000)	(10,130)
Other issues	358,332	3,583
At 30 September 2009	84,772,652	847,727
	Authorised	
	2008 Number	2008 £
Ordinary shares of £0.01 each	200,000,000	2,000,000
	Issued and fully paid	
	2008 Number	2008 £
Ordinary shares of £0.01 each		
At 1 October 2007	71,252,279	712,524
Share buybacks	(714,774)	(7,148)
Other issues	14,889,815	148,898
At 30 September 2008	85,427,320	854,274

There have been 1,013,000 shares bought back at 23.0p in the year (2008: 714,774).

All shares issued in the period 30 September 2009 were for share options exercised.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

CONTINUED

9. RESERVES

	Capital redemption reserve £	Merger reserve £	Retained earnings £	Total £
At 1 October 2008	—	309,392	28,858,084	29,167,476
Loss for year	—	—	(4,358,566)	(4,358,566)
Share-based payments	—	—	58,174	58,174
Share buy back	10,130	—	(232,990)	(222,860)
At 30 September 2009	10,130	309,392	24,324,702	24,644,224

10. LEASES

OPERATING LEASES – LESSEE

The Company leases its property. The Company had annual commitments under non-cancellable operating leases as set out below:

	2009 £	2008 £
Not later than one year	—	78,880
Later than one year and not later than five years	—	—
Later than five years	127,500	—
	127,500	78,880

11. EARN-OUT BALANCE

See note 13 in the notes to the consolidated financial statements.