



Helius Energy plc
Annual Report and Accounts 2011

Registered and head office
Helius Energy plc
242 Marylebone Road
London NW1 6JL
United Kingdom
Tel: +44 (0)20 7723 6272
enquiries@heliusenergy.com
www.heliusenergy.com

Contents

Contents	ifc
Chairman's Report	1
Business Review	2
Directors	4
Advisors	5
Directors' Report	6
Corporate Governance	12
Independent auditor's report	14
Consolidated statement of income	15
Consolidated statement of other comprehensive income ..	16
Consolidated statement of financial position	17
Consolidated statement of cash flows	18
Consolidated Statement of changes in equity	19
Notes to the consolidated financial statements	20
Parent company balance sheet	40
Notes to the parent company financial statements	41

Chairman's Report

I was very pleased to be appointed Chairman of Heliuss Energy plc in July 2011 in what has been a year of significant developments for the company.

Following my appointment the board has conducted a review of its strategy and cost base which concluded that its commitment to the current portfolio of projects remains the best way to deliver shareholder value. This led to a number of corporate cost reductions, thereby ensuring maximum focus on project development activities. These changes helped to secure additional funding from a number of new cornerstone investors in October 2011 to support the development of the portfolio and general working capital requirements.

Our primary focus during the year has been the finalisation of contracts and financing of the Rothes project, for which we successfully secured debt and equity funding in April 2011, allowing the project to enter the construction phase. Following the introduction of third party equity into the Rothes project it is now owned by a Joint Venture company in which Heliuss owns a 50% interest. We look forward to the project being commissioned in late 2012 and entering commercial operation in 2013 and providing Heliuss with a source of income.

In addition to the work on the Rothes project we have continued with negotiating the construction and fuel supply contracts for the Avonmouth project in preparation for securing project finance. We have also continued with the work required to make a planning application for our Southampton project.

In January 2011 we finalised a Deed of Amendment to the Sale and Purchase Agreement signed with RWE in September 2008 originally in respect of the 65MWe project at Stallingborough. The amendment replaces the earn-out element of the SPA and provides for the Company to receive a payment of £8.8 million as soon as RWE awards key contracts and commences construction of the project.

On the 20 October 2011 the Department of Energy and Climate Change published its consultation document on levels of banded support for biomass under the Renewables Obligation legislation for the period 2013-17. It is our opinion that the proposal for dedicated biomass banding - to retain the existing support level of 1.5 Renewable Obligation Certificates per megawatt hour (ROCs/MWhr) until 1 April 2016 when the level will reduce slightly to 1.4 ROCs/MWhr for new accreditations - effectively maintains the existing levels of support for those projects already under construction or approaching financial close.

Heliuss has actively participated in the consultation process and will review its intentions with respect to its future biomass projects when the results of this consultation process are known.

Since the financial year end we have strengthened our board through the appointment of two new non-executive directors and the creation of a chief operating officer position. We also completed a secondary placing of shares, raising £6.3 million after costs in October 2011, following which the Company has sufficient cash to support its working capital requirements for the work required to bring the Avonmouth project to financial close and continue with its work on the Southampton project. The Company will seek to secure some form of development fee from the Avonmouth project at the point of financial close and it is intended that these fees will provide working capital and project development funding for the mid to long term.

We remain well positioned and resourced to build upon our previous success and have the expertise and flexibility to deliver the Avonmouth and Southampton projects and adapt as required to any changes in the market.

Finally, on behalf of myself and the Board, I would like to thank all of our employees for their continuing hard work and support, which is much appreciated.

John Seed
Chairman

In this report the "Company" shall mean Heliuss Energy plc and/or, where the context otherwise requires, any relevant subsidiary of Heliuss Energy plc, and "Group" shall mean Heliuss Energy plc and its subsidiaries

Business Review

Our Business

Strategy and key goals

Heliuss was established to develop biomass energy projects to address the increasing importance that has been given to climate change, through cutting greenhouse gas emissions of energy production using sustainably sourced biomass fuel.

Our strategy is to identify, develop, own and operate biomass projects using established technologies and sustainably sourced fuels. The Heliuss team has extensive knowledge of the UK renewable energy market, technologies, the consenting process and uses this knowledge and experience to identify and realise opportunities.

Our goal for all projects is to ensure that a competitive design is achieved for the plant and its fuel source, which will maximise project returns while mitigating operational and performance risk and minimizing emissions.

Since the Company's inception in 2005, and admission to AIM in 2007, the Heliuss team has secured consent for 170MWe of biomass capacity in the UK, successfully sold a 65MWe project to RWE and secured financing for a 7.2MWe project in Scotland which is now in construction. The Company is now focused on delivering value from its consented 100MWe site in Avonmouth, as well as securing additional consents for Southampton and possibly other sites.

Roths Project

Since we reported our annual results for 2009/2010 we have secured the construction finance for the Roths plant. On 13 April 2011 we reached financial close securing £42.5 million of debt funding along with an equity investment of £9.3 million at project level by Rabo Project Equity for a 44.7% share, with Heliuss retaining 50% + 1 non-controlling share in the joint venture company that now owns the project with the remaining shares being held by the combination of Roths distillers. The joint venture is accounted for on an equity basis and the equity finance raised for the project resulted in a gain of £2.5m in the income statement, reflecting an increase to the fair value of the 50% share of the project. Further details are provided in Note 15. The project has now commenced construction, is currently on schedule and on budget. The majority of the groundwork required is now complete, the steel work is being erected and all of the major equipment orders have been placed. We expect the plant to be commissioned in Q3 2012 and enter commercial operation in H1 2013.

Avonmouth Project

The Avonmouth project resides within the Avonmouth dock area of Bristol port. The site has excellent transport links that will enable the delivery of fuel to the power station and it is envisaged a large proportion of these supplies will be delivered by sea. The plant will utilise up to 850,000 tonnes of sustainably sourced solid biomass fuel per annum to generate at 100MWe export capacity, delivering over 0.76Twh per year of electricity, enough to power approximately 200,000 homes. The Company has agreed commercial terms for materials handling with Bristol Port, and has secured a grid connection.

The project was granted consent and deemed planning permission under S36 of the electricity act 1989 by the Secretary of State in June 2010. The Company is currently finalising contracts for the construction of the plant and contract negotiations for fuel supply are progressing well. The Company is in discussions with a number of lenders with respect to a project finance facility and expects to mandate preferred lenders shortly. It is intended that the Company will secure equity for the project and as part of this arrangement secure some form of development fee as well as retaining an interest in the project.

Stallingborough Project

In January 2011 the Company agreed with RWE Innogy an amendment to the earn out provision included within the 2008 sale and purchase agreement allowing RWE to settle this earn-out in return for a lump sum payment. This amendment provided the Company with a cash payment of £0.1 million on signature and a further payment of £8.8 million on commencement of the project as signified by the award of certain key contracts. It also provided that, should the project commencement be delayed beyond September 2011, additional payments of £0.1 million will be paid to the Company for each quarter the project is subsequently delayed. The first of these payments was received in October 2011, with a further £0.1million received in January 2012. In the event the contracts are not awarded before January 2013 the original entitlement to 13% of the post tax profits will be reinstated. The carrying value of the earn out receivable reflects the deed of amendment and is determined on the basis that key contracts will be signed by September 2012 resulting in a total gross cash receipt of £9.3 million as further detailed in note 13.

Southampton Project

The Southampton project is based in an industrial area within Southampton port. The project will be 100MWe export capacity and investigations are underway for the possible use of heat supply to local industrial, commercial and residential developments.

The majority of the fuel will be delivered to the plant by sea through the Port of Southampton with some locally sourced fuel being delivered to the site by road.

We started the public consultation for this project in February 2011 and have received a high level of local interest in our proposals. Taking account of the feedback from the local community we are preparing an amended scheme on which further public consultation will be undertaken ahead of submission of a full application to the Infrastructure Planning Commission for a Development Consent Order.

Project Portfolio

The Company is currently in discussions with a number of UK site owners regarding future sites for the development of biomass projects. The intention is to secure sites that will enable the commencement of development of at least a further 200MWe of capacity within the next two years. The Company intends to avoid making significant cost commitments to new sites until there is more clarity with respect to conclusions of the ROC banding review and the publication of DECC's biomass strategy, which is due to be published during the first half of 2012.

Business Review

Financial Position and Key Performance Indicators

During the year the Company expended £10.4 million of cash through its operating and investing activities. This was made up of £2.1 million of corporate and administration costs and £8.3 million of project development costs including an equity investment of £4.9 million into the Rothes project. The primary focus for this expenditure was on progressing the Avonmouth project, finalisation of financing and an equity investment into the Rothes project allowing construction to commence, and progressing the Southampton project. Cash and short-term deposits held by the Company as at 30 September 2010 were £0.6 million. Since the balance sheet date a further £6.3 million (net) has been raised through a secondary placing of shares with these funds being secured to support the Company's working capital requirements for the work required to bring the Avonmouth project to financial close and continue with the work on the Southampton project.

The operating loss for the period was £0.8 million including operating costs of £2.0 million, non cash share based payment charges of £0.5 million and a non cash fair value gain of £2.5m on the loss of control in the CoRDe subsidiary undertaking. The overall profit for the period was £0.07m which comprises the operating loss of £0.8m and non cash finance income of £0.8 million.

Key financial highlights

<i>Income statement</i>	2011	2010
	£'000	£'000
Revenue	148	-
Cost of sales	(132)	-
Administrative costs including share based payments	(2,575)	(2,262)
Adjustment to the earnout receivable from change in expected cashflows	(739)	(4,923)
Non cash impairments	-	(204)
Gain on loss of control in subsidiary undertaking	2,541	-
Operating loss	(757)	(7,389)
Net finance income	839	1,205
Share of post tax loss from joint venture	(10)	-
Profit / (loss) for the period	72	(6,184)

As a requirement of the project finance facility, the CoRDe joint venture company entered into hedging agreements for foreign currency and interest rates in order to mitigate any risk associated with volatility in those rates. The Group has recognised its share of the movement in the fair value of the hedging agreements in the period to 30 September 2011 of £2.5m in the consolidated statement of total comprehensive income.

The following milestones were achieved during the year:

- Material progress of detailed negotiations for Avonmouth equipment supply, construction and fuel supply contracts
- Finalised debt financing package for the Rothes project
- Secured third party equity of £9.3m for the Rothes project resulting in a £2.5m fair value gain on loss of control
- Rothes project entered construction
- Commenced consenting process for Southampton project
- Advanced negotiations for one additional site for large biomass developments in the UK
- Further developed relationships with local and international suppliers of sustainable fuel
- Invested £8.3 million into the development of the CoRDe, Avonmouth and Southampton projects
- Board restructuring and cost reduction initiatives put in place that will deliver benefit in 2012

Outlook

Our strategy remains one of focusing the Company's resources on delivering projects to financial closure and managing the implementation and operation of those projects. 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

Directors

Adrian Bowles, PhD (47)

Chief Executive Officer

Adrian is a founder of Heliuss, initially as Technical Director in 2005 and promoted to Chief Executive Officer in September 2009. He is a Chartered Energy Engineer and holds a PhD in fluid mechanics. Having begun his career with the Central Electricity Generating Board and the Atomic Energy Authority, he is an experienced project developer now specialising in renewable energy and sustainable energy. Adrian also has considerable experience in corporate and project finance, contracting and contract negotiations. He is a member of the Energy Institute and contributes to this forum.

Christopher Corner, MBA (47)

Commercial Director

Chris is a founder of Heliuss, holding the role of Commercial Director. He holds a BSc in physics, a MSc in engineering ceramics and a MBA. He is an experienced commercial developer having held senior roles in a number of sectors including engineering materials with T&N, commodity chemicals with ICI, cables with BICC and Hitachi Cable, and has been actively involved with renewable energy sector since 2002. Chris also acted as head of inward investment in setting up economic regeneration body Renaissance South Yorkshire.

Alan Lyons, ACMA (40)

Chief Financial Officer

Alan joined Heliuss in May 2007 as Finance Director. He is a qualified accountant and has more than 20 years of experience within the energy sector. He began his accounting career in 1989 with GEC and has since held senior financial roles in, ABB Alstom, Alstom and Siemens. The majority of Alan's career has been within businesses that design, manufacture, install and service rotating equipment within the power generation, and oil and gas markets. He has significant experience of capital project financial management; financial systems implementation and business start ups across Europe and the Middle East.

Angus MacDonald OBE (49)

Non-executive Director

Angus joined Heliuss as a non-executive director in June 2010. He has extensive experience of the forestry industry and in 2007 founded Specialist Waste Recycling Limited and is currently its Chairman. Prior to this he was Chief Executive Officer of eFinancial Group for eleven years, which was sold to Dow Jones and Dice Inc in 2007.

John Seed, MBA (53)

Non-executive Chairman

John is a founder of Heliuss, holding the role of Chief Executive Officer until 2009 after which he remained with Heliuss as a non-executive director. John was appointed Chairman of Heliuss in July 2011. He holds a MBA and has over 15 years' experience within renewable energy and sustainable systems having worked for several of the UK's largest renewable energy companies. John has advised government and local authorities on the formulation of policy for the promotion and implementation of the UK's renewable energy industry. John was until 2010 a member of the UK Government's Renewables Advisory Board, which provided advice to the UK Government on a wide range of renewable energy issues.

On the 30 November 2011 the following appointments were made to the board

William J Ingram Hill, MA, Solicitor (35)

Chief Operating Officer

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

William Rickett CB (58)

Non-executive Director

A former top civil servant with experience of working in the private sector in investment banking and advisory services, Willy Rickett held the positions of Director General, Energy, Department of Energy & Climate Change and Chairman of the Governing Board of the International Energy Agency until his retirement in September 2009. He has fifteen years of board level experience across five UK Government departments focusing on energy and transport. He is a Director of Eggborough Power Ltd, Impax Environmental Markets plc, Cambridge Economic Policy Associates Ltd and the National Renewable Energy Centre Ltd.

Alastair Salvesen CBE (70)

Non-executive Director

A Chartered Accountant and business graduate by training, Alastair has been a leading figure in the UK seafood industry for around 30 years, having been Managing Director and now Chairman of Dawnfresh Seafoods Limited. He is also currently the Chairman of Dovecot Studios Ltd and of Dawnfresh Farming Limited and is a director of Praha Investment Holdings Ltd and Archangel Informal Investment, Scotland's largest angel investor syndicate. With his family, Alastair retains the major shareholding in Aggreko plc, the quoted Glasgow plant hire group, which demerged from Christian Salvesen plc in 1997. He is Deputy Chairman of the Fettes Trust and is a past President of the Royal Highland and Agricultural Society and of the British Frozen Food Federation.

Advisors

Secretary and Registered Office

William J. Ingram Hill
242 Marylebone Road
London
NW1 6JL

Company Number

5745512 (England & Wales)

Auditors

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

Nominated Adviser and Brokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Registrars

Capital Registrars
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Solicitors

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

Bankers

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

Directors Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 30 September 2011.

Results and dividends

The consolidated income statement is set out on page 15 and shows the profit for the period. The consolidated statement of total comprehensive income is set out on page 16 and shows the comprehensive 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 was to develop, build and operate renewable biomass sites within the UK, either directly or in partnership.

The period under review covers the finalisation of financing and commencement of construction of the Rothes project, the further development of the 100MWe Avonmouth project and the work required to progress the planning application for the 100MWe project in Southampton.

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 100MWe biomass plant and commence work on the application for a development consent order in the near future.

In addition to the disclosures above, further statutory disclosures for a business review are included in the Chairman's report and business review on pages 1 to 3.

Principal risks and uncertainties

The Company is exposed to a number of risks and uncertainties. These break into two categories:

1. General risks impacting the business.
2. Project development related risks.

General risks

Liquidity

The directors do not consider liquidity to be a material risk to the business in the short term. The cash requirements of the Company are forecast by the Board annually in advance and reviewed monthly by management, enabling the Company's cash requirements to be anticipated. The cash forecast includes assumptions with respect to the timing of planning consents and financial close of projects. Significant delays in these expected timings may lead to a requirement for additional cash. Additional funding will be sought, either directly or through partners for the construction of power stations.

Electricity and biomass market

The Company's plans are exposed to electricity and biomass 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.

Legislative risk

The Company is exposed to adverse changes in legislation that may impact the income for a biomass power plant. The directors monitor possible changes to legislation and where possible engage in the consultation process to safeguard the Company's interests. Projected project revenues could be affected by changes to the renewable legislation including for example; the number of Renewable Obligation Certificates awarded per MWh of generation under the Renewable Obligation; or the value of contracts for difference as proposed under Electricity Market Reform legislation. Any negative changes to these projected revenues could impact the ability of the Company to secure debt and equity for projects.

Staff retention

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. To ensure key staff are retained the Company benchmarks remuneration levels of key staff against similar positions in other listed companies and has put in place share option and LTIP schemes linked to project performance.

Project development risks

Site evaluation and procurement

Securing sites for the development of Biomass power plants is a key requirement in further developing the business. This relies upon the ability of the Company to locate, evaluate, select, develop and realise appropriate opportunities, and to be able to negotiate and complete land agreements and related access/connection agreements at a cost that allows profitable projects to be developed.

The Company manages these risks by continually reviewing a large number of sites in the UK such that it is not focused on any one particular landowner or location. It also maintains relationships with land agents and large port organisations, both of which give access to potential sites.

Directors Report

Principal risks and uncertainties continued

Planning and development consent

Once a site is secured a planning and development consent is sought, together with any other necessary permits to allow a biomass power station to be constructed and operated. During this stage of the process the Company is exposed to the following specific risks:

- consents may be subject to delays beyond the Company's control, which may subsequently cause the project to be delayed or aborted. There are no guarantees that any or all of the necessary consents will be granted;
- consents granted may be subject to conditions that affect the economic or operational viability of the proposed project. These could in turn impact the Company's ability to raise project finance, or reduce the value of a project in the case of a sale;
- delays or onerous planning conditions may lead to additional unforeseen costs which the Company may need to raise finance for;
- consenting costs incurred are capitalised as development projects in progress in the financial statements. In the event that a project fails to secure consent, or consent is successfully appealed there is a risk that the carrying value would be subject to impairment; and
- legislative changes may influence the acceptability of the site or the economic viability of the project.

The Company manages these risks through securing sites on which it believes it can secure planning and development consent, employing suitably qualified and significantly experienced staff to manage the consenting process and ensure compliance with latest legislation, as well as ensuring maximum engagement of local authorities and interested stakeholders from a very early stage.

The Company has significant experience of securing planning consents for Power Stations and knowledge of the important criteria involved and, at the reporting date, has a 100% success rate of securing consents where applications have been submitted. The Company uses this experience when selecting sites for development.

Contract negotiation

This stage of the development process involves the negotiation of contracts for the construction of the plant, the sale of electricity and related products produced by the plant, the procurement of fuel for the plant and the operation of the plant. This stage begins during the early stages of planning and development and concludes at the point of financial close. During this stage the Company is exposed to the following specific risks in addition to those outlined above:

- the ability to secure fixed price contracts for the construction of each power plant with the required level of guarantees that allow project finance to be secured;
- the availability of feedstock for each project is affected by various factors, including carbon footprint, sustainability, water usage, pests (and related phytosanitary restrictions), shipping availability and labour shortages;
- significant changes to inflation impacting the costs of building and operating biomass plants and therefore the profitability of plants; and
- foreign sourced supplies are subject to additional risks that may disrupt markets, including the risk of war, terrorism, civil disturbances, embargo and political risks.

The Company manages these risks through soliciting bids from a number of different suppliers for the equipment required to construct the plant, the feedstock required to fuel the plant and any other materials or equipment required to ensure the plant can operate profitably. This approach ensures that the project is not unnecessarily exposed to any one supplier, geographical location, currency, shipping route or political regime and also ensures competitive tension is maintained throughout the negotiation phase, thus providing risk mitigation against price and contract terms in the event that one supplier cannot meet the conditions required by the project and ensures a final contract structure which can attract project finance in the financial close stage.

Financial close

This stage relates to the crystallisation of the project into the construction stage. This may involve either the sale of the project, in whole or part, or securing project financing enabling the project to be constructed. During this stage the Company is exposed to the following additional risks:

- changes to the Renewables Obligation legislation if such a change caused uncertainty that prevented project finance from being secured, or significantly reduced the amount of debt that could be secured;
- the general availability of finance to fund the construction of power plants, and the levels of lending that can be secured;
- changes to interest rates which may impact the cost of financing biomass power projects;
- the ability to secure equity on acceptable terms for the construction of projects once debt is in place; and
- depressed market for the sale of projects, leading to low prices or no willing buyers.

Directors Report

Principal risks and uncertainties continued

Financial close continued

Project development costs incurred during the consenting, planning and development, and financial close stages of the development cycle are capitalised and shown in the financial statements as development projects in progress. In the event that any of the risks described above prevent a project progressing, there is a risk of impairment of the carrying value of the asset. It is the Boards view that once the project has planning and development consent, these risks are mitigated by the potential to sell a project for at least its book value.

The Company has experience in negotiating finance arrangements for power plants and understands the contract structures required to secure project finance. Additionally the Company has relationships with a number of project finance banks, utility and large industrial companies allowing project finance or sale discussions to be initiated.

Construction

This stage is reached once financing, both debt and equity, is secure and all project contracts are entered into.

During this stage the Company is exposed to the following specific risks:

- cost overruns by contractors or claims made may result in a need for additional equity or debt funding;
- delays to the construction programme leading to higher than planned interest charges during the construction programme and may delay the commencement of operating cash flows to fund the Company's ongoing activities;
- failure of the completed plant to operate as planned; and
- supplier insolvency.

The Company seeks to mitigate these risks through the negotiation of fixed price contracts with reputable contractors and by ensuring that financing plans include adequate levels of contingency to accommodate cost overruns. Additionally, the Company seeks to appoint an owner's engineer with significant experience to oversee the project programme once construction commences.

With specific regard to the Stallingborough project which is subject to an earn-out agreement in favour of Helius, in the event that RWE does not commence construction before January 2013, there is a risk that the Company will not receive the payment of £9.3 million under the deed of amendment. In this circumstance, the original earn-out arrangement would be reinstated. However, there might then be significant uncertainty over the timing of any payment under the earn-out unless a firm construction and commercial operation date could be established. This uncertainty would be reflected in the carrying value of the earn-out receivable at that point.

Operation

The Company is not currently exposed to risks from plant operation.

Directors

The following directors have held office during the financial year:

Mr Keith Henry (non-executive Chairman) – resigned July 2011
Mr John Seed (non-executive) – appointed non-executive Chairman July 2011
Dr Adrian Bowles (Chief Executive Officer)
Mr Alan Lyons (Chief Financial Officer)
Mr Christopher Corner (Commercial Director)
Mr Angus MacDonald (non-executive)
Mr David Brocksom (non-executive) – resigned July 2011
Mr J Barclay Forrest (non-executive) – resigned July 2011

Subsequent to the year end the following appointments were made:

Mr Alastair Salvesen (non-executive) – appointed non-executive director 30 November 2011
Mr William Rickett (non-executive) – appointed non-executive director 30 November 2011
Mr William Ingram Hill (Chief Operating Officer) – appointed 30 November 2011

Directors Report

Substantial shareholders and directors' holdings

At 5 January 2012, 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	Number of shares under option/reward
Independent shareholder			
Fidelity (UK)	10,843,414	8.18%	nil
Mr Peter Little	6,687,500	5.05%	nil
Ms Ann Gloag	4,715,775	3.56%	nil
Mr David Sonnenberg	4,541,500	3.43%	nil
Directors' shareholdings			
Mr Alastair Salvesen	30,487,379	23.01%	Nil
Mr and Mrs Angus MacDonald	22,674,442	17.11%	nil
Mr and Mrs Christopher Corner	5,558,242	4.19%	1,147,916
Mr John Seed	3,277,473	2.47%	1,512,916
Dr Adrian Bowles	2,027,473	1.53%	2,582,916
Mr William Ingram Hill	250,000	0.19%	245,000
Mr Alan Lyons	3,000	—	1,902,916

Directors' remuneration

The Remuneration Committee comprises all of the non-executive directors of the Company and was chaired by John Seed. It reviews the performance of the directors and sets their remuneration, company pension contributions and other benefits and 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 directly to participate in decisions concerning his own remuneration. The Company uses the services of external remuneration and benefits consultants where appropriate to benchmark the remuneration of executives and key personnel.

	Fees/salary £'000	Pension £'000	Bonus £'000	Gain on share options £'000	Health scheme £'000	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Executive directors							
Adrian Bowles	172	13	-	-	2	187	190
Alan Lyons	142	11	-	-	1	154	162
Christopher Corner	136	10	-	-	1	147	149
Non-executive directors							
Keith Henry (resigned July 2011)	60	-	-	-	-	60	80
Angus MacDonald	27	-	-	-	-	27	12
David Brocksom (resigned July 2011)	27	-	-	-	-	27	30
John Seed	27	-	-	-	-	27	73
Barclay Forrest (resigned July 2011)	27	-	-	-	-	27	36
Total	618	34	-	-	4	656	732

The three non-executive directors, who resigned in July 2011, waived their rights to any termination payments.

Directors Report

Directors' remuneration continued

The number of ordinary shares subject to options granted and to the Long-term Incentive Plan outstanding as at the 30 September 2011:

	2011	2011	2011	2011	2011	2010
	Number of	Number of	Number of	Number of	Total number of	Total number of
	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares
	subject to	subject to	subject to	subject to	outstanding	outstanding
	options granted	options granted	options granted	options granted	under the	under the
	under the	under the	under the	under the	plans	plans
	EMI Approved Plan	Unapproved Plan	Incentive Plan	Incentive Plan		
Executive directors						
Adrian Bowles	832,916	-	750,000	1,000,000	2,582,916	2,582,916
Alan Lyons	305,084	527,832	750,000	320,000	1,902,916	1,902,916
Christopher Corner	832,916	-	80,000	235,000	1,147,916	1,147,916
Non-executive directors						
Keith Henry (resigned July 2011)	-	-	-	333,334	333,334	1,000,000
Angus MacDonald	-	-	-	-	-	-
John Seed	832,916	-	80,000	600,000	1,512,916	1,512,916
Barclay Forrest (resigned July 2011)	-	229,166	50,000	-	279,166	279,166
Total	2,803,832	756,998	1,710,000	2,488,334	7,759,164	8,425,830

The details of the above plans and schemes are further explained in note 20.

The IFRS 2 'Share-based Payment' charge for the directors is £340,224 (2010: £218,447).

Service contracts

The service agreements with the executive directors have a notice period of twelve months. The non-executive directors have service contracts with a notice period of three months. Notice periods are mutual.

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 Group 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 Group at 30 September 2011 were 37 days (2010: 56 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 and did not attend any political conferences.

Directors Report

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 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") 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 Group and Company and of the profit or loss of the Group 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 IFRS 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 as 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
2 February 2012

Corporate Governance

Compliance

Throughout the period ended 30 September 2011 save as otherwise identified below and to the extent practicable and appropriate for a company of its size and constitution, the Company complied with the applicable corporate governance rules and best practice provisions for companies set out in the Combined Code on Corporate Governance. The Company continues to keep its overall system of internal control under review.

Board effectiveness

With the resignations of Keith Henry, Barclay Forrest and David Brocksom in July 2011, and following the appointment in November 2011 of William Rickett, Alastair Salvesen and William Ingram Hill the Board comprises the non-executive Chairman, three other non-executive directors and four executive directors.

Following the resignation of David Brocksom in July 2011 the Company did not have an independent member of the board who did not hold shares in the Company. In November 2011 the Company appointed William Rickett as the senior independent non-executive director.

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;
- review of monthly management accounts;
- financial controls and procedures; and
- review of risks and internal controls.

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

The 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 non-executive directors of the Company and is chaired by William Rickett. 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 of the non-executive directors of the Company and is chaired by William Rickett. It reviews the performance of the directors and sets their remuneration, determines the payment of bonuses to directors and considers bonuses and options / long term incentive plans grants to employees of the Company as a whole. No member of the Board is permitted directly to participate in decisions concerning his own remuneration. The Company uses the services of external remuneration and benefits consultants where appropriate.

Corporate Governance

Board committees continued

During the financial year ending on 30 September 2011, the number of Board and committee meetings attended by individual directors was as follows:

	Board	Audit	Remuneration
John Seed	11/11	1/3	2/2
Keith Henry (resigned July 2011)	9/9	3/3	2/2
David Brocksom (resigned July 2011)	8/9	3/3	2/2
Angus MacDonald	10/11	1/3	2/2
J Barclay Forrest (resigned July 2011)	6/9	0/3	1/2
Adrian Bowles	11/11	n/a	n/a
Alan Lyons	11/11	n/a	n/a
Chris Corner	10/11	n/a	n/a

The maximum number of meetings for each individual director is the number they were eligible to attend.

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 Annual General Meeting is used to communicate with investors and documents are sent to shareholders at least 21 working days before the meeting. The chairman of each of the Audit and Remuneration Committees is 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

Chief Operating Officer and Company Secretary

Independent auditors' report

To the shareholders of Helius Energy plc

We have audited the financial statements of Helius Energy plc for the year ended 30 September 2011 which comprise the consolidated statement of financial position and parent company balance sheet, the consolidated income statement, the consolidated statement of total comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/UKP.cfm>.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company'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
2 February 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement
For the year ended 30 September 2011

	Note	Year ended 30 September 2011 £	Year ended 30 September 2011 £
Revenue	[4]	148,308	—
Cost of sales		(132,302)	—
Gross profit		16,006	—
Other administrative expenses		(2,112,513)	(1,958,270)
Share-based payment costs		(462,409)	(303,573)
Impairment of property, plant and equipment	[11]	—	(124,192)
Impairment of other receivables	[16]	—	(80,000)
Total administrative expenses		(2,574,922)	(2,466,035)
Adjustment to the earn-out receivable from changes in expected cash flows	[13]	(739,435)	(4,923,000)
Gain on loss of control in subsidiary undertaking	[15]	2,540,903	—
Operating loss	[5]	(757,448)	(7,389,035)
Finance income	[7]	839,212	1,204,952
Finance expenses	[7]	—	—
Net Finance income		839,212	1,204,952
Share of post-tax loss from Joint Venture	[15]	(10,000)	—
Profit/(loss) before tax		71,764	(6,184,083)
Tax expense	[8]	—	—
Profit/(loss) for the year attributable to equity holders of the parent company		71,764	(6,184,083)
Basic profit/(loss) per share attributable to equity holders of the parent company (pence)	[9]	0.08	(7.17)
Diluted profit/(loss) per share attributable to equity holders of the parent company (pence)	[9]	0.08	(7.17)

The notes on pages 20 to 39 form part of these financial statements.

Consolidated statement of total comprehensive income
For the year ended 30 September 2011

	Year ended 30 September 2011 £	Year ended 30 September 2011 £
Profit/(loss) for the year attributable to equity holders of the parent company	71,764	(6,184,083)
Other comprehensive income net of tax	—	—
Share of other comprehensive income, net of tax, from Joint Venture	[15] (2,517,588)	—
Total comprehensive loss for the year attributable to equity holders of the parent company	(2,445,824)	(6,184,083)

The notes on pages 20 to 39 form part of these financial statements

Consolidated statement of financial position
As at 30 September 2011

	Note	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Non-current assets			
Property, plant and equipment	[11]	6,772,929	6,371,774
Loans and receivables	[13]	—	8,381,000
Investment in joint venture	[15]	7,865,944	—
Total non-current assets		14,638,873	14,752,774
Current assets			
Loans and receivables	[13]	8,460,565	100,000
Trade and other receivables	[16]	357,554	307,839
Cash and cash equivalents		554,873	10,119,881
Total current assets		9,372,992	10,527,720
Total assets		24,011,865	25,280,494
Current liabilities			
Trade and other payables	[17]	(734,078)	(727,800)
Total current liabilities		(734,078)	(727,800)
Total liabilities		(734,078)	(727,800)
Total net assets		23,277,787	24,552,694
Total capital and reserves attributable to equity holders of the parent company			
Share capital	[18]	915,742	871,235
Share premium reserve	[18]	5,730,215	5,066,214
Capital redemption reserve	[18]	10,130	10,130
Merger reserve	[18]	410,833	410,833
Cash flow hedge reserve	[18]	(2,517,588)	—
Retained earnings	[18]	18,728,455	18,194,282
Total equity		23,277,787	24,552,694

The notes on pages 20 to 39 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 2 February 2012 and were signed on its behalf by:

Alan Lyons
Chief Financial Officer

Consolidated statement of cash flows
For the year ended 30 September 2011

	Year ended 30 September 2011	Year ended 30 September 2010
Note	£	£
Operating activities		
Profit/(loss) for the year	71,764	(6,184,083)
Impairment of property, plant and equipment	[11] —	124,192
Depreciation	41,370	41,173
Finance income	[7] (839,212)	(1,204,952)
Gain on loss of control in subsidiary undertaking	[15] (2,540,903)	—
Share of post-tax loss from joint venture	[15] 10,000	—
Share option costs	462,409	303,573
Adjustment to the earn-out receivable from change in expected cash flows	739,435	4,923,000
Cash flow from operations before changes in working capital	(2,055,137)	(1,997,097)
(Increase)/Decrease in trade and other receivables	(49,715)	253,472
Increase/(Decrease) in trade and other payables	6,278	(133,253)
Total changes in working capital	(43,437)	120,219
Net cash used in operating activities	(2,098,574)	(1,876,878)
Investing activities		
Purchase of property, plant and equipment	[11] (3,347,173)	(3,039,185)
Cash received from earn-out deed of amendment	[13] 100,000	—
Investment in joint venture	[15] (4,947,981)	—
Interest received	[7] 20,212	98,952
Net cash used in investing activities	(8,174,942)	(2,940,233)
Financing activities		
Share issue	708,508	282,100
Loan repayment	—	(76,489)
Net cash from financing activities	708,508	205,611
Net decrease in cash and cash equivalents	(9,565,008)	(4,611,500)
Cash and cash equivalents at the beginning of the period	10,119,881	14,731,381
Cash and cash equivalents at the end of the year	554,873	10,119,881

The notes on pages 20 to 39 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 30 September 2011

	Capital redemption reserve	Share capital	Share premium	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£
2010						
Changes in equity						
At 1 October 2009	10,130	847,727	4,807,622	1,850,225	22,635,400	30,151,104
Loss for the year	—	—	—	—	(6,184,083)	(6,184,083)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(6,184,083)	(6,184,083)
Issue of share capital	—	23,508	258,592	—	—	282,100
Share-based payments	—	—	—	—	303,573	303,573
Subsidiary DPS Ltd dissolved	—	—	—	(1,439,392)	1,439,392	—
At 30 September 2010	10,130	871,235	5,066,214	410,833	18,194,282	24,552,694

	Capital redemption reserve	Share capital	Share premium	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£	£	£	£	£	£	£
2011							
Changes in equity							
At 1 October 2010	10,130	871,235	5,066,214	410,833	—	18,194,282	24,552,694
Profit for the year	—	—	—	—	—	71,764	71,764
Other comprehensive income	—	—	—	—	(2,517,588)	—	(2,517,588)
Total comprehensive loss for the year	—	—	—	—	(2,517,588)	71,764	(2,445,824)
Issue of share capital	—	44,507	664,001	—	—	—	708,508
Share-based payments	—	—	—	—	—	462,409	462,409
At 30 September 2011	10,130	915,742	5,730,215	410,833	(2,517,588)	18,728,455	23,277,787

The notes on pages 20 to 39 form part of these financial statements. The cash flow hedge reserve relates to the share of the movements of the cash flow hedges in the Helius CoRDe Ltd, a joint venture. Further details are provided in note 15.

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 Group has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on page 40.

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 Group companies are therefore eliminated in full as at 30 September 2011.

The consolidated financial statements incorporate the results of Helius Energy plc and all of its subsidiary undertakings as at 30 September 2011, 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.

Joint ventures are those entities over whose activities the Company has joint control established by contractual agreement. Interests in joint ventures through which the Company carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost and then in subsequent periods adjusting the carrying amount of the investment to reflect the Company's share of the joint venture's results.

Gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Group's interest in the joint venture.

Changes in accounting policies

(a) New standards, amendments to published standards and interpretations to existing standards effective in the year ended 30 September 2011 adopted by the Company:

- IAS 24 'Related Party Disclosures'. The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. This is a disclosure amendment and has no impact on the results or net assets of the Company.
- The improvements to IFRS. Improvements in this amendment clarify the requirements of IFRS and eliminate inconsistencies within and between standards.

The changes include amendments to:

- IFRS 1 'First-time Adoption of International Financial Reporting Standards'.
- IFRS 3 (Revised 2008) 'Business Combinations'.
- IFRS 7 'Financial Instruments'.
- IAS 1 (Revised 2007) 'Presentation of Financial Statements'.
- IAS 34 'Interim Financial Reporting'.
- IFRIC 13 'Customer Loyalty Programmes'.
- IAS 21 'The Effects of Changes in Foreign Exchange Rates'.
- IAS 28 'Investments in Associates'.
- IAS 27 (as amended 2008) 'Consolidated and Separate Financial Statements'.

Management has concluded that to date there has been no impact on the results or net assets of the Company as a result of these amendments

Notes to the consolidated financial statements

Changes in accounting policies continued

(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 2011 but are currently not relevant to the Company's operations:

- IFRIC 14 and IAS 19 'Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. This amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.
- IFRS 7 'Transfers of Financial Assets'. This amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.
- Amendments to IFRS 1. This Amendment makes two changes to the requirements of IFRS 1. The first change replaces references to a fixed date for first time adopters of IFRS. The second provides guidance on severe hyperinflation on an entity's currency.

(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 2012 or later periods and which the Company has decided not to adopt early. Management is currently assessing the impact of these amendments.

- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets. This Amendment provides a presumption that recovery of the carrying amount of the asset will, normally be, through sale. Management are currently assessing the impact of this amendment.
- Amendments to IAS 1. This Amendment requires companies to group together items within Other Comprehensive Income that may be reclassified to the profit or loss section of the income statement. Management are currently assessing the impact of this amendment.
- IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed, it will delete the relevant portions of IAS39 and create new chapters in IFRS 9. This is effective for annual periods beginning on or after 1st January 2013, this standard is not yet endorsed by the European Union. Management are currently assessing the impact of this standard.
- IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Management are currently assessing the impact of this standard.
- IFRS 11 Joint Arrangements. The principle in IFRS 11 is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focussing on the legal form. There will no longer be an option to use proportionate consolidation. The new standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non – monetary Contributions by Venturers. Management are currently assessing the impact of this standard.
- IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities. Management are currently assessing the impact of this standard.
- IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases (e.g. share-based payments) when other IFRSs require or permit fair value measurements. Management are currently assessing the impact of this standard.
- IAS27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9). Management are currently assessing its impact on the financial statements
- IAS 28 now includes the required accounting for joint ventures as well as the definition and required accounting for associates. Equity accounting is required in consolidated or individual financial statements for both of these types of investment unless the investing group is a venture capital organisation, mutual fund, unit trust or similar entity in which case the entity may account for those investments in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9). Proportionate consolidation is no longer an option for joint ventures. Management are currently assessing its impact on the financial statements.
- IAS 19 Employee Benefits. The main changes introduced by the amendment revolve around the accounting for defined benefit pension schemes. The amendments will have no impact on the financial statements of the company.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. This interpretation will have no impact on the financial statements of the company.

Notes to the consolidated financial statements

1. Accounting policies continued

Revenue recognition

Revenue for the Company is measured at the fair value of the consideration received or receivable. Revenue comprises the amounts receivable for services provided net of value added tax.

The Company recognises revenue for services provided when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

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.

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").

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 Company's loans and receivables comprise both loans and receivables and trade and other receivables in the Consolidated Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six 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 which 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.

Notes to the consolidated financial statements

1. Accounting policies continued

Hedge accounting

Hedge accounting is only applicable for transactions undertaken in Helius CoRDe Limited, the joint venture entity. No additional hedging transactions have been undertaken in the Group in the year ended 30 September 2011. Hedge accounting is applied to financial assets and financial liabilities where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- The effectiveness of the hedge can be reliably measured.
- The hedge remains highly effective on each date tested. Effectiveness is tested quarterly.

Cash flow hedges

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve.

Under the equity method of accounting for the joint venture in Helius CoRDe Limited, the share of the changes in fair values recognised in other comprehensive income in relation to cash flow hedges are reflected in the consolidated statement of comprehensive income.

Share capital

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

Development projects in progress

Development projects in progress are assets arising from the project development phase of internal projects. The project 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 and the construction phase starts. During this phase costs are incurred in securing planning consent and negotiating the suite of contracts required that will enable project finance to be secured, and allow the Company to build, own and operate a power plant.

These costs are treated as development projects in progress and capitalised if the Group can demonstrate all of the following:

- a) there is a strong probability that any planning application for the site will be successful;
- b) the technical feasibility of completing the asset so that it will be available for use or sale;
- c) its intention and ability to obtain economic benefit through its use or sale;
- d) the extent and nature of the future economic benefits. Among other things the Company must demonstrate the existence of a market for the output of the asset and a fuel supply that will deliver an appropriate financial return;
- e) the availability and probability of obtaining appropriate technical and other resources to complete the development and to use or sell the asset;
- f) the availability of project finance, or the existence of a market for the project to be sold; and
- g) its ability to measure reliably the expenditure attributable to the asset during the development phase.

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.

The Company tests these assets for impairment by reference to a project model which takes all of the expected income streams and costs of both building and operating a plant and calculates the expected profitability of the plant through its lifetime operation. Based on this measure, the Company is able to make an assessment of the ability to secure finance to construct the plant or, alternatively can make an assessment as to its potential sale value prior to construction. In the event and to the extent that the Company believes the project will be unable to attract finance or, sold to a third party the costs will be impaired.

Development projects in progress are not depreciated until they have been completed and have been commissioned for use within the Company.

Notes to the consolidated financial statements

1. Accounting policies continued

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Group (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.

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 Group 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 Group 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.

Business segments

The Chief Operating Decision Maker is defined as the executive directors.

The Board considers that the Company's project activity constitutes one operating and reporting segment, as defined under IFRS 8. Management reviews the performance of the Company by reference to total results against budget.

The total profit measures are operating loss and loss for the year, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Company financial statements.

All of the revenues generated relate to management service agreements and are wholly generated within the UK. Accordingly there are no additional disclosures provided to the primary statements.

Notes to the consolidated financial statements

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 relates to deferred income due from RWE following the sale of the Stallingborough project in September 2008. The earn-out receivable was originally recognised at fair value and thereafter carried at amortised cost with judgements applied to expected cash flows based on changes to construction costs, construction dates, and the forecast for power prices and interest rates, with all of the expected cash flows discounted back to present value at a discount rate defined in the agreement with RWE. Under the original agreement, RWE has the right to early settlement of these cash flows based upon this defined discount rate.

The Company has adjusted the carrying value of the earn-out receivable based on a deed of amendment signed in January 2011 with RWE Innogy for the early settlement of the earn-out conditional on major contracts being awarded for the construction of the plant. The resultant loss was reflected in the income statement for the year ended 30 September 2010.

As at 30 September 2011 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. When calculating the carrying value of the earn out asset an assessment of the expected cash flows was made and actual cash flows may differ.

(b) Development projects in progress

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

- a) there is a strong probability that any planning application for the site will be successful;
- b) the technical feasibility of completing the asset so that it will be available for use or sale;
- c) its intention and ability to complete the asset and obtain economic benefit through its use or sale;
- d) the extent and nature of the future economic benefits. Among other things the Company must demonstrate the existence of a market for the output of the asset and the availability of fuel that will deliver an appropriate financial return;
- e) the availability and probability of obtaining appropriate technical and other resources to complete the development and to use or sell the asset;
- f) the availability of project finance, or the existence of a market for the project if sold; and
- g) its ability to measure reliably the expenditure attributable to the asset during the development phase.

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.

Development projects in progress 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 either in part or in total to justify the continued development of the project, then the carrying value of the asset may be written down, or written off in the future. The risks associated with the development projects in progress as at 30 September 2011 are detailed further in note 11.

(c) Share-based payment

The Company has two equity-settled share-based schemes for employees and an LTIP scheme. 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 and LTIPs are estimated by using the Black-Scholes model 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. Should different assumptions be used then the fair value of the options would be different. Where vesting conditions exist for share options, the Board reviews progress against these vesting conditions annually and reviews the estimated date of financial close of projects which will impact the financial statements. In the event that milestones conditions are not met it is anticipated that certain options will lapse.

(d) Deferred tax assets

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

Notes to the consolidated financial statements

2. Critical accounting estimates and judgements continued

(e) Joint venture arrangement

On the 13 April 2011 the Company reached financial close on the CoRDe project securing debt funding from Lloyds Banking Group and the Royal Bank of Scotland plc, along with an equity investment for new shares in Helius CoRDe Limited by Rabo Project Equity BV. The result of the funding and introduction of a contractual arrangement between Helius Energy PLC, Rabo Project Equity BV and The Combination of Rothes Distillers' Ltd was a loss of control and Helius Energy PLC now holds 50% + 1 non-controlling share in a Joint Venture.

On the loss of control of the entity, the fair value of the interest retained by Helius Energy PLC was estimated by reference to the amount paid by Rabo Project Equity BV for its purchase of equity in the joint venture. This was deemed to be the latest available information on which to assess the fair value in the absence of an active market.

At 30 September 2011 the carrying value of the joint venture is measured at deemed cost, represented by the fair value of the interest retained, less the Company's share of the loss since financial close. Further details are provided in Note 15.

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*
 - Trade and other payables

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 2010 and 30 September 2011.

Loans and receivables are stated on an amortised cost basis with any changes to valuation being charged /credited to the consolidated statement of comprehensive income in the relevant period.

Trade and other receivables are measured at book value. Book values are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

Cash and cash equivalents are held in sterling and placed on deposit with UK banks.

Trade and other payables are measured at book value.

Capital management

The Company's capital is made up of share capital, share premium, capital redemption reserve, merger reserve, cash flow hedge reserve and retained earnings totalling £23.3 million at 30 September 2011 (2010: £24.55 million).

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 £71,764 profit for the period ended 30 September 2011. The directors have recommended that no dividends will be payable for the period (2010: nil).

In July 2011 non-executive director Angus MacDonald increased his holding in the Company following the issue of 4,360,674 new shares at 16p, representing 5% of the total issued share capital of the Company with an aggregate value of £697,707. All other shares issued in the financial year were for share options exercised. All shares issued in the period 30 September 2010 were in respect of the exercise of share options.

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

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.

Notes to the consolidated financial statements

3. Financial instruments – risk management continued

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. At 30 September 2011 the Company is exposed to credit risk largely the receivable associated with the deed of amendment relating to the sale of the Stallingborough project.

The Company has agreed a deed of amendment to the original Sale and Purchase Agreement with RWE Innogy for the sale of the Stallingborough project. This deed of amendment entitles Helius to a cash payment at the point that construction contracts are awarded for the project. The payment is guaranteed by the parent company of RWE in the UK. As such, management considers this to be a low credit risk to the Company.

Other than the impairment of the loan provided to Carolina Pacific LLC as detailed in note 16, no other trade and other receivable balances are past due or require impairment.

In the year ended 30 September 2010 the non-current earn-out asset as detailed in note 13 was adjusted by £4,923,000. An adjustment of £739,435 was made in the year to 30 September 2011.

In addition to the financial instruments used by the Company as outlined above, the Company's Joint Venture investment also uses foreign currency and interest rate hedging instruments in order to mitigate foreign currency and interest rate risk in the construction of assets as required under the project finance facility.

The instruments are designated as fair value through profit and loss, measured at fair value and are categorised at Level 1 in the fair value hierarchy. Further details are provided in Note 15.

4. Revenue recognition

Revenue in 2011 represents income arising from the Management Services Agreements with The Combination of Rothes Distillers' (CORD) and Helius CoRDe Ltd a joint venture in which the Company holds 50% plus 1 share. The revenue recognised in 2011 from the joint venture was £110,808 and £37,500 from The Combination of Rothes Distillers'. No revenue was earned in the year ended 30 September 2010.

5. Loss from operations

This has been arrived at after charging:

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Staff costs	2,025,914	2,193,974
Depreciation	41,370	41,173
Auditors		
Audit fees	37,500	37,500
Other taxation services	9,000	8,508
All other services	24,133	13,500
Operating lease expense – property	115,909	122,124

6. Staff costs

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Staff costs (including directors) comprise:		
Wages and salaries	1,709,983	1,810,974
Social security costs	199,626	210,042
Defined contribution pension costs	93,051	90,308
Compensation for loss of office	—	23,216
Health scheme	23,254	19,434
Bonus	—	40,000
	2,025,914	2,193,974

2010 – the average number of employees (including directors) during the period was 26.

2011 – the average number of employees (including directors) during the period was 24.

Included in other creditors at 30 September 2011 is £11,968 (30 September 2010: £11,963) of pension contributions unpaid at that date.

Notes to the consolidated financial statements

6. Staff costs continued

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Directors' remuneration, included in staff costs		
Salaries	617,750	689,452
Company contributions to private pension schemes	33,731	37,875
Compensation for loss of office	—	—
Bonus	—	—
Health scheme	4,535	4,524
	656,016	731,851

Details of all directors' remuneration, including the remuneration of the highest paid director, for the year ended 30 September 2011 are listed in the directors' report.

7. Finance income and expense

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Finance income		
Bank interest receivable	20,212	98,952
Unwinding of discount from the sale of the Stallingborough project	819,000	1,106,000
Finance expense		
Bank interest payable	—	—
Net finance income recognised in profit or loss	839,212	1,204,952

The unwinding of the discount from the sale of the Stallingborough project represents the increased value of the earn-out based upon the discount made in September 2010. Any changes to the valuation as a consequence of changes in the underlying assumptions are shown against the line "adjustment to the earn-out receivable from changes in expected cash flows" in the statement of comprehensive income.

8. Tax expense

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
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 2011 £	Year ended 30 September 2010 £
Profit / (loss) before tax	71,764	(6,184,083)
Expected tax charge based on the standard rate of corporation tax in the UK of 27% (prior year 28%)	19,376	(1,731,543)
Permanent differences	(561,357)	1,221,110
Other tax differences	7,720	1,800
(Utilisation)/increase in losses	534,261	583,262
Schedule 23 deduction (exercise of share options)	—	(74,629)
Total tax charge for the period	—	—

The Group has tax losses carried forward of approximately £9,571,000 for the year ended 30 September 2011 and approximately £7,526,000 for 30 September 2010. 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 likely, in the foreseeable future, taxable profits available against which the unused tax loss can be utilised.

Notes to the consolidated financial statements

9. Profit / (loss) per share

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

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Profit/(loss)		
Profit/(loss) used in calculating basic and diluted profit/(loss)	71,764	(6,184,083)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	88,114,915	86,226,329
Effect of employee share options	1,836,268	—
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	89,951,183	86,226,329

The bonus effect of options was excluded from the number of shares used in the diluted EPS calculation for 2010 as those options were antidilutive.

In October 2011 40,946,142 new ordinary shares were issued at 16 pence per share to raise approximately £6.55 million.

10. Dividends

No dividends were declared in the period.

11. Property, plant and equipment

	Computer and office equipment £	Development projects in progress £	Total £
Cost or valuation			
Balance at 1 October 2009	151,040	3,388,623	3,539,663
Additions	33,233	3,005,952	3,039,185
Disposals	—	—	—
Impairment	—	(124,192)	(124,192)
Balance at 30 September 2010	184,273	6,270,383	6,454,656
Balance at 1 October 2010	184,273	6,270,383	6,454,656
Additions	12,645	3,334,528	3,347,173
Disposals	(38,001)	(2,904,648)	(2,942,649)
Balance at 30 September 2011	158,917	6,700,263	6,859,180
Accumulated depreciation			
Balance at 1 October 2009	41,709	—	41,709
Depreciation charge for the year	41,173	—	41,173
Depreciation on disposals	—	—	—
Balance at 30 September 2010	82,882	—	82,882
Balance at 1 October 2010	82,882	—	82,882
Depreciation charge for the year	41,370	—	41,370
Depreciation on disposals	(38,001)	—	(38,001)
Balance at 30 September 2011	86,251	—	86,251
Net book value			
At 30 September 2011	72,666	6,700,263	6,772,929
At 30 September 2010	101,391	6,270,383	6,371,774

The impairment of development projects in progress in 2010 relates to costs incurred on a project that the Board decided not to progress further due to uncertainty over the economics of the proposed development.

During the year certain assets from development projects in progress were disposed of as a result of the loss of control of a subsidiary when the CORD project having reached financial close in April 2011 became the joint venture Helius CoRDe Ltd. Helius Energy PLC holds 50% + 1 share for an investment of £7.9 million which included the £2.9 million development costs

Notes to the consolidated financial statements

11. Property, plant and equipment continued

The £6.7 million balance of development projects in progress at 30 September 2011 can be further analysed as follows:

	2011	2010
	£	£
Projects in the "planning and development consent" stage	3,085,128	1,608,129
Projects in the "contract negotiation" or "financial close" stage	3,615,135	4,662,254
	6,700,263	6,270,383

The projects in the planning and development consent stage are:

- the Southampton project where the Company expects to make a planning application in 2012; and
- costs to date relating to equipment for the Veolia agreement signed in 2008. The Company is working with Veolia on securing projects that will facilitate the recovery of these costs through agreements with third parties to process liquid bi-products. Veolia is leading the sales and marketing activity to secure these contracts and is leveraging on its significant customer base. In the event that these activities do not lead to firm contracts the balance will be impaired.

Projects in the contract negotiation or financial close stage are:

- the Avonmouth project which was awarded deemed planning consent pursuant to the electricity act 1989 in 2010 and is currently in the development phase. Bids have been obtained for the equipment required to build the plant and negotiations are underway to secure the fuel required for the plant. The Company expect to achieve financial close in 2012.

12. Intangible fixed assets

	Patents
	£
Cost	
At 1 October 2010	900,000
Additions during the period	—
At 30 September 2011	900,000
Provision for impairment	
At 1 October 2010	900,000
Provision	—
At 30 September 2011	900,000
Net book value	
At 30 September 2011	—
At 30 September 2010	—

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 certain patents held. 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 appropriate at 30 September 2011.

13. Loans and receivables

Sale of the Stallingborough project

During the year ending 30 September 2008, Helius Energy plc disposed of the Stallingborough project, otherwise referred to as Helius Energy Alpha Ltd ("Alpha") to RWE Innogy (UK) Ltd ("RWE"). Alpha contains the rights to planning permission and IP associated with the construction of a 65MWe biomass powered energy generation plant at a site in Stallingborough in the north of England. The transaction included a cash payment of £28.1 million and a deferred amount of consideration, payable through an earn-out arrangement equal to 13% of the post-tax profits generated by the project during its first 24 years of commercial operation.

Earn-out arrangement

The forecasts used to value the earn-out in the 2008 and 2009 financial statements were prepared by management. The forecast profitability was based on an independent report on forecast energy prices for the 24 year period and fully negotiated contracts for the following:

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

Notes to the consolidated financial statements

13. Loans and receivables continued

Earn-out arrangement

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

- plant availability – this was estimated at 2% less than the guarantee levels associated with the plant. Any increase or decrease in the efficiency of the plant would affect the overall profitability and the net present value of the cash flows receivable;
- finance costs – an interest rate of LIBOR plus 0.75% was assumed based on a gearing level of 90% which reflected 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 related 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 would impact the profitability of the project;
- discount rate – a rate of 9% was used as this was the rate defined in the agreement with RWE to be used for early settlement of cash flows at RWE's option; and
- a commercial start up date of 2013 for the 2009 valuation.

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 a delayed date for commercial start up of the power plant and payments under the earn-out agreement. This review was carried out by Helius Energy plc and was not formally agreed with RWE. This review gave a revised carrying value of £12,298,000.

Deed of amendment to earn-out arrangement

During the September 2010 financial year, the Company was involved in extensive negotiations with RWE for a deed of amendment to the original earn-out arrangement. A commercially acceptable offer was agreed in principle by the Company during September 2010 and was used as the basis for determining the carrying value of the earn-out receivable in the financial statements for 2010. The amendment was formalised and signed on 18 January 2011. Details of the revised agreement are shown below:

Payments due:

	£
On signature of amendment agreement	100,000
On award of construction contracts for the project by RWE	8,800,000

The Deed outlined that in the event that construction contracts were awarded later than September 2011, additional payments of £100,000 would become due for each quarter of delay. At an agreed date with RWE the Deed of Amendment becomes invalid and the original earn-out arrangement is reinstated, although no repayments of monies received at signature or as a consequence of quarterly delays are payable.

The revised carrying value and resultant entries in the Consolidated Statement of Comprehensive Income are shown in the table below:

	£
Earn-out valuation as at 30 September 2009	12,298,000
Unwinding of discount on September 2009 calculation (finance income)	1,106,000
Adjustment to the earn-out receivable from changes in expected cash flows	(4,923,000)
Earn-out as at 30 September 2010	8,481,000
Made up of:	
Trade and other receivables (receivable <1 year)	100,000
Loans and receivables (receivable >1 year)	8,381,000
Earn-out valuation as at 30 September 2010	8,481,000
Cash received from earn-out deed of amendment	(100,000)
Unwinding of discount on September 2010 calculation (finance income)	819,000
Adjustment to the earn-out receivable from changes in expected cash flows	(739,435)
Earn-out as at 30 September 2011	8,460,565
Made up of:	
Trade and other receivables (receivable <1 year)	8,460,565

In arriving at a discounted value of £8,481,000 as at September 2010, the Board made the assumption that a total payment of £9,300,000 would be received, based on contracts being awarded by RWE in September 2012. This revised valuation is therefore made up of the £100,000 initial payment, £8,800,000 at the point of contracts being awarded and £400,000 of delay payments. The original effective interest rate for the transaction of 9% had been applied to the payments. The directors still considers these

Notes to the consolidated financial statements

13. Loans and receivables continued

assumptions to be correct as at 30 September 2011. The initial payment being paid in January 2011 and a further £100,000 delay payments were received in October 2011 and January 2012. In the directors view there is no material difference between the carrying value of the earn out receivable at 30 September 2010 and 30 September 2011 and its fair value at each date using appropriate market rates.

The adjustment to the earn-out receivable in the current year of £739,345 relates to a correction to the carrying value of the earn out asset relating to the deed of amendment. The calculation at 30 September 2010 had assumed settlement of the receivable in advance of the stated expected date of 30 September 2012. The adjustment in the current year ensures the carrying value and unwinding of discounts is consistent with the expected settlement date of 30 September 2012 and our stated accounting policy.

Taking into account the guidance in IAS 8 as to whether the correction would influence the economic decisions that users make on the basis of the financial statements, the directors conclude that the effect of this correction on the reported results or net assets of the group is not material to warrant a prior year adjustment and as a consequence have reflected it through the current year results.

In the event that RWE does not award contracts prior to the deed of amendment becoming invalid, there is a risk that the Company will not receive the deed of amendment payment of £8.8 million and, in this circumstance the original earn-out arrangement would be reinstated. In the event that RWE has not awarded contracts prior to the deed of amendment becoming invalid, there may be significant uncertainty over the timing of any payment under the earn-out arrangement in the event that a likely construction and commercial operation date could not otherwise be established. This uncertainty would be reflected in the carrying value of the earn-out receivable at that point.

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	Ownership
		as at 30 September 2011	as at 30 September 2010
Helius Power Limited	United Kingdom	100%	100%
Helius Energy Africa (Pty) Limited	South Africa	-	100%
Helius Energy Inc.	USA	-	100%
Helius Energy Gamma Ltd	United Kingdom	100%	100%
Helius CoRDe Limited	United Kingdom	-	51%
Southampton Biomass Power Ltd	United Kingdom	100%	100%
Liverpool Biomass Power Ltd	United Kingdom	100%	-

Helius Energy Africa (PTY) Ltd was de-registered in March 2011

Helius Energy Inc. went into passive dissolution March 2011

Helius CoRDe Ltd reached financial close in April 2011 when it became a joint venture between Helius Energy PLC, Rabo Project Equity BV and The Combination of Rothes Distillers' Ltd. Helius Energy PLC holds 50% + 1 share for an investment of £7.9 million.

Southampton Biomass Power Ltd was incorporated on 21 July 2010.

Liverpool Biomass Power Ltd was incorporated on the 10 November 2010

15. Investment in Joint Venture

As at 30 September 2010 Helius CoRDe Limited was accounted for as a subsidiary. On the 13 April 2011 the Company reached financial close on the CoRDe project securing £42.5million of debt funding from Lloyds Banking Group and the Royal Bank of Scotland plc, along with an equity investment for new shares in Helius CoRDe Limited of £9.3 million at project level by Rabo Project Equity BV. The result of the funding and introduction of a contractual arrangement between Helius Energy PLC, Rabo Project Equity BV and The Combination of Rothes Distillers' Ltd was a loss of control and Helius Energy PLC now holds 50% + 1 non-controlling share in a Joint Venture at an investment cost of £7.9 million.

On consolidation the interest in the Joint Venture was initially measured at fair value, being £10.4 million. The fair value has been calculated from the amounts paid by the joint venture partners for their stake in the CoRDe project. The difference between the cost of investment, being the net assets of the subsidiary prior to it becoming a joint venture, and the fair value of the retained interest in the joint venture has been taken to the income statement as a gain of £2.5m on effective loss of control of a subsidiary.

The agreements signed on financial close represented a new contractual arrangement between the parties providing joint control of the entity. All strategic financial and operating decisions in Helius CoRDe Ltd require a super majority between Helius and Rabo. Helius CoRDe Ltd was formed to take forward the 7.2MWe Net Capacity CHP project which Helius has been developing since before its admission to AIM, reaching financial close for this project enables the project to progress into construction.

Notes to the consolidated financial statements

15. Investment in Joint Venture continued

	2011 £	2010 £
Investment in joint venture at cost	7,852,629	—
Gain on loss of control in subsidiary undertaking	2,540,903	—
Fair value of interest in joint venture on initial recognition	10,393,532	—
Share of Loss	(10,000)	—
Share of other comprehensive income in joint ventures relating to cash flow hedges	(2,517,588)	—
Investment at 30 September	7,865,944	—

The cost of investment in the joint venture was made up of a £4,947,981 cash payment and £2,904,648 development costs incurred which comprised the net assets of the subsidiary prior to loss of control.

The Joint Venture, which is unlisted, results and assets / liabilities , are as follows:

Name	Helius CoRDe Ltd 30 September 2011 £	Helius PLC share 30 September 2011 £
	Property, plant and equipment	21,053,044
Other current assets	3,824,314	50%
Long term assets	-	50%
Current liabilities	(2,625,648)	50%
Long term liabilities	(4,289,446)	50%
Financial instruments relating to cash flow hedges	(5,035,176)	50%
Loss	(20,000)	(10,000)
Other comprehensive income relating to cash flow hedges	(5,035,176)	(2,517,588)

As a requirement of the project finance facility, the CoRDe joint venture company entered into hedging agreements for foreign currency and interest rates in order to mitigate any risk associated with volatility in those rates. Hedge accounting has been applied to the instruments, with changes in the fair values of the effective portion of the instruments between reporting periods being taken through other comprehensive income statement of the Joint Venture. The Group has recognised its share of the movement in the period to 30 September 2011 of £2.5m

The hedging policy adopted by the project company is as follows:

Foreign currency

In order to ensure no variability in construction costs the project company entered a forward contract for 36,793,500 euros on the 13 April 2011 at a rate of 1.1238. On the 30 September the bank provided a fair value of the outstanding portion of the forward contract and this analysis resulted in a total liability of £0.7m. This liability is recognised as a derivative financial liability in the balance sheet of the joint venture with the change in value in other comprehensive and will reduce to nil through the construction period with the benefit being recognised in the future reporting periods.

Interest rates

In order to mitigate changes in interest rates the project company entered a forward contract for 100% of interest charges through the construction period and 75% of the interest costs through the 12 year repayment period on the 13 April 2011 based on the forward LIBOR rate . The fixed rate leg of the swap is 4.26% against the floating LIBOR rate. On the 30 September the bank provided a fair value valuation on the outstanding portion of the forward contracts and this analysis resulted in a total liability of £4.3m.

Helius Energy plc values its shareholding in the joint venture initially at fair value, and then in subsequent periods, adjusts the carrying amount of the investment to reflect the company's share of the joint venture's results which include any comprehensive income relating to cashflow hedges.

Notes to the consolidated financial statements

16. Trade and other receivables

	2011 £	2010 £
Trade and other receivables	91,484	125,378
Prepayments	266,070	182,461
	357,554	307,839

Other than the impairment of the loan provided to Carolina Pacific LLC noted below (2010: none) no other trade and other receivable balances are past due or impaired.

Impairment of other receivables

	Other receivables
Fair value	
At 1 October 2009	80,000
Additions	—
Impairments	(80,000)
At 30 September 2010	—
At 1 October 2010	—
Additions	—
Impairments	—
At 30 September 2011	—

During 2007 and 2008 the Company made a number of payments to Carolina Pacific LLC (an organisation formed to supply biomass fuel to the European market) under a loan agreement with all advances made against promissory notes that would become due on 31 December 2009. At 30 September 2009 the balance outstanding was £290,000 and the Board already had significant doubts over the financial viability of the operation of Carolina Pacific LLC and the ability to repay its debt due to its failure to make significant progress against its business plan. These doubts were confirmed in November 2009 when Carolina Pacific LLC sought to agree an amended repayment schedule for the notes and remove a charge the Company held over a briquetting machine owned by Carolina Pacific LLC. These terms were rejected by the Company. No repayments against the loan were received on the due date or subsequently and Helius Energy plc has since instigated legal proceedings to recover the outstanding amount. The loan is secured against a briquetting machine owned by Carolina Pacific LLC which was purchased during 2008 at a cost of €116,630 and is, based on information provided, in an as-new condition. The Board considers the machine to have a value of at least £80,000 and as a consequence impaired the loan balance by £210,000 in the financial statements at 30 September 2009 leaving a balance of £80,000. Throughout the financial year to 30 September 2010 the Company had continued to seek recovery of the debt and had initiated legal proceedings. As the machine had not been recovered at 30 September 2010, the Board took the view that the receivable should be impaired to zero, the estimated fair value of the debt. Given that these proceedings are still ongoing the Board consider the treatment to be appropriate at the balance sheet date. The Board has continued to seek the recovery of the debt and expects to reach a conclusion in 2012 when the claim will be placed before a court.

17. Trade and other payables

	2011 £	2010 £
Trade creditors	437,725	452,240
Other taxes and social security	53,359	64,664
Accruals	242,994	210,896
	734,078	727,800

From 1 August 2011 the Company secured a £302,300 loan facility with Angus MacDonald a non-executive Director of Helius Energy plc. Interest will accrue on funds drawn under the facility at the rate of 4% per annum above the base rate from time to time of the Bank of England. The facility must be repaid in full on 30 June 2013. At 30 September 2011 no funds had been drawn down on the facility.

Notes to the consolidated financial statements

18. Share capital

	Issued and fully paid	
	2011	2011
	Number	£
Ordinary shares of £0.01 each		
At 1 October 2010	87,123,483	871,235
Shares issued	4,450,674	44,507
At 30 September 2011	91,574,157	915,742

	Authorised	
	2010	2010
	Number	£
Ordinary shares of £0.01 each	200,000,000	2,000,000

	Issued and fully paid	
	2010	2010
	Number	£
Ordinary shares of £0.01 each		
At 1 October 2009	84,772,652	847,727
Shares issued	2,350,831	23,508
At 30 September 2010	87,123,483	871,235

In July 2011 non-executive director Angus MacDonald increased his holding in the Company following the issue of 4,360,674 new shares at 16p, representing 5% of the total issued share capital of the Company with an aggregate value of £697,707. All other shares issued in the financial year were for share options exercised. All shares issued in the period 30 September 2010 were in respect of the exercise of share options.

The Company abolished its authorised share capital when it adopted new articles at its AGM in 2011.

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 buyback
Merger reserve	A reserve created on the combinations of companies within the Group
Cash flow hedge reserve	A reserve created on recognition of the company's share of the cash flow hedge movements from joint ventures
Retained earnings	Cumulative net profits recognised in the consolidated income statement

19. Leases

Operating leases – lessee

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

	2011	2010
	£	£
Not later than one year	127,500	128,018
Later than one year and not later than five years	510,000	510,000
Later than five years	478,125	605,625

Notes to the consolidated financial statements

20. Share-based payment

Total share options and LTIPs granted under the Company's EMI, Unapproved and LTIP schemes are set out in the table below:

	2011 Weighted average exercise price	2011 Number	2010 Weighted average exercise price	2010 Number
Outstanding at beginning of the year	13.7p	11,411,216	18.8p	10,431,720
Granted during the year	—	—	1.0p	3,950,000
Exercised during the year	12.0p	(90,000)	12.0p	(2,350,831)
Expired during the year	—	—	26.0p	(388,904)
Forfeited during the year	4.7p	(819,667)	26.0p	(230,769)
Outstanding at the end of the year	14.4p	10,501,549	13.7p	11,411,216
These are made up of:				
Exercisable at the end of the year	13.1p	5,845,456	16.3p	4,480,768
Outstanding and subject to vesting conditions at the end of the year	15.9p	4,656,093	11.9p	6,930,448

The weighted average share price when options were exercised during the year was 20.8 pence (2010: 30.1 pence).

Equity settled share option schemes

EMI scheme

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 since admission to AIM. All of these options have vested.

The number of EMI shares exercisable, and outstanding, at the end of the year 30 September 2011 is 2,893,385, with a weighted average price of 14.5 pence.

The range of exercise prices of share options outstanding at 30 September 2011 are 2,498,748 with exercise price of 12.0 pence which must be exercised by November 2016 and 394,637 with an exercise price range of 30.0 pence to 34.0 pence which must be exercised by May 2017. When these shares will be exercised will depend upon the individuals' circumstances and market price of the shares.

	2011 Weighted Average exercise price	2011 Number	2010 Weighted average exercise price	2010 Number
Total EMI share options				
Outstanding at beginning of the year	14.5p	2,893,385	14.6p	3,957,070
Granted during the year	—	—	—	—
Exercised during the year	—	—	12.0p	(832,916)
Expired during the year	—	—	—	—
Forfeited during the year	—	—	26.0p	(230,769)
Outstanding at the end of the year	14.5p	2,893,385	14.5p	2,893,385
Exercisable at the end of the year	14.5p	2,893,385	14.5p	2,893,385

Notes to the consolidated financial statements

20. Share-based payment continued

Equity settled share option schemes continued

Unapproved scheme

The Company operates an unapproved scheme for non-executive directors' and retained consultants. Under the unapproved scheme, options vest if the market value of the shares is greater than 10% above the floatation price for a period of twelve months.

The number of unapproved shares exercisable, at the end of the year 30 September 2011 is 1,497,383, with a weighted average price of 19.8 pence.

The range of exercise prices of share options outstanding at 30 September 2011 are 854,166 with an exercise price of 12.0 pence which must be exercised by June 2016 and 643,217 with an exercise price range of 26.0 pence to 31.0 pence which must be exercised by April 2018. When these shares will be exercised will depend upon the individuals' circumstances and market price of the shares.

Total unapproved share options	2011		2010	
	Weighted average exercise price	2011 Number	Weighted Average exercise price	2010 Number
Outstanding at beginning of the year	24.0p	4,567,831	21.3p	6,474,650
Granted during the year	—	—	—	—
Exercised during the year	12.0p	(90,000)	12.0p	(1,517,915)
Expired during the year	—	—	26.0p	(388,904)
Forfeited during the year	26.5p	(120,000)	—	—
Outstanding at the end of the year	24.2p	4,357,831	24.0p	4,567,831
These are made up of:				
Exercisable at the end of the year	20.4p	1,640,405	19.3p	1,587,383
Outstanding and subject to vesting conditions at the end of the year	26.5p	2,717,426	26.5p	2,980,448

There were 2,980,448 unapproved options granted to directors and employees as part of a performance incentive scheme in 2009; these vest and are exercisable upon achieving defined objectives. There were 120,000 of these shares forfeited during the year and in April 2011 upon reaching financial close of the CoRDe project 143,022 vested. The exercise price of these shares is 26.5 pence which must be exercised by April 2019. When these shares will be exercised will depend upon the individuals' circumstances and market price of the shares.

The outstanding options vest as follows:

Total outstanding options	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 small project 2
	2,717,426	858,134	858,134	858,134

The Board assess progress against the above objectives on an annual basis, and, when necessary, as a result of the difficulties in accurately predicting the timing of planning awards, makes changes to expected delivery dates for vesting and subsequent charge to the financial statements. In the event that the Board take the view that any of the above objectives cannot be delivered within the option period they will be removed with a corresponding adjustment to the share-based payment charge in the year of removal.

Notes to the consolidated financial statements

20. Share-based payment continued

Equity settled share option schemes continued

Long-term Incentive Plan

The Company implemented a Long-term Incentive Plan in June 2010. The shares awarded under this plan vest over a three year period and are subject to achievement of specific targets agreed with the Remuneration Committee on an annual basis.

There were 3,950,000 shares granted with an exercise price of 1.0 pence to directors' and employees as part of a Long-term Incentive Plan in 2010. These vest over a three year period subject to the achievement of specific targets as defined and reviewed by the Remuneration Committee on an annual basis.

There were 1,311,666 LTIPs exercisable at 30 September 2011 which must be exercised by June 2015. When these shares will be exercised will depend upon the individuals' circumstances and market price of the shares.

Total LTIPs	2011 Weighted average exercise price	2011 Number	2010 Weighted Average exercise price	2010 Number
Outstanding at beginning of the year	1.0p	3,950,000	—	—
Granted during the year	—	—	1.0p	3,950,000
Exercised during the year	—	—	—	—
Forfeited during the year	1.0p	(699,667)	—	—
Outstanding at the end of the year	1.0p	3,250,333	1.0p	3,950,000
These are made up of:				
Exercisable at the end of the year	1.0p	1,311,666	—	—
Outstanding and subject to vesting conditions at the end of the year	1.0p	1,938,667	1.0p	3,950,000
The outstanding LTIPs vest as follows:				
Total outstanding LTIPs granted			Vest June 2012	Vest June 2013
1,938,667			969,334	969,333

Fair value calculations

The following table shows the inputs used to ascertain the fair value of all LTIPs and all options granted during 2010, no options or LTIPs were issued during 2011:

	2010
Option pricing model used	Black-Scholes
Volatility	66.1%
Share price	24.5p
Strike price	1.0p
Risk-free rate of interest	2.34%
Weighted average contractual life	5 years
Fair value price of options granted	23.63p

Notes to the consolidated financial statements

21. Related party transactions

Key management remuneration	Year ended	Year ended
	30 September	30 September
	2011	2010
	£	£
Short-term employee benefits (excluding employers National Insurance contributions)	622,285	693,976
Payments into defined contribution pension schemes	33,731	37,875
Bonus	—	—
Compensation for loss of office	—	—
Employers National Insurance contributions	68,789	80,200
Subtotal	724,805	812,051
Share-based payments	340,224	218,447
Total	1,065,029	1,030,498

In addition to above related party transactions, revenue of £110,808 is included in the consolidated statement of comprehensive income in relation to a management services agreement with the joint venture Helius CoRDe Ltd. Amounts owing by Helius CoRDe Ltd to Helius Energy plc at the 30 September 2011 were £17,694.

Alan Lyons, Director Helius Energy plc, is also the Chairman of Helius CoRDe Ltd.

From 1 August 2011 the Company secured a £302,300 loan facility with Angus MacDonald a non-executive Director of Helius Energy plc. Interest will accrue on funds drawn under the facility at the rate of 4% per annum above the base rate from time to time of the Bank of England. The facility must be repaid in full on 30th June 2013. At 30 September 2011 no funds had been drawn down on the facility.

22. Events after the reporting period

At a General meeting on 21 October a resolution was passed to raise approximately £6.55 million (gross), £6.3m (net) by way of a placing of New Ordinary Shares at 16 pence per share (the "Placing"). Admission of the new ordinary shares to trading on AIM occurred on 26 October 2011.

The Placing:

- Raised a substantial amount of capital, at a premium to the current market price;
- Demonstrates the Company's ability to attract investment from a number of high quality new and existing institutional and other investors; and
- Strengthens the Company's balance sheet and provides additional working capital to allow the Company to progress its immediate and longer term pipeline of projects, including seeking to secure:
 - project level funding for the Avonmouth Project; and
 - planning consent for the Southampton Project.

23. Control

There is no one controlling party. The Company is quoted on the London Alternative Investment Market

Parent company balance sheet
As at 30 September 2011

	Note	30 September 2011 £	30 September 2011 £	30 September 2010 £	30 September 2010 £
Fixed assets					
Tangible fixed assets	[2]	72,666		97,460	
Investments	[3]	7,852,631		—	
			7,925,297		97,460
Current assets					
Stocks	[5]	1,086,491		3,163,288	
Debtors due within one year	[6]	14,119,581		3,370,758	
Debtors due after one year	[6]	—		8,381,000	
Cash at bank		554,870		10,119,878	
		15,760,942		25,034,924	
Creditors: amounts falling due within one year	[7]	(425,938)		(590,915)	
Net current assets			15,335,004		24,444,009
Total assets			23,260,301		24,541,469
Net assets			23,260,301		24,541,469
Capital and reserves					
Share capital	[8]		915,742		871,235
Share premium			5,730,215		5,066,213
Capital redemption reserve	[9]		10,130		10,130
Retained earnings	[9]		16,604,214		18,593,891
Shareholders' funds			23,260,301		24,541,469

The notes on pages 41 to 45 form part of these financial statements.

The financial statements were approved and authorised by the Board of directors and authorised for issue on the 2 February 2012.

Alan Lyons
Chief Financial Officer

Notes to the parent company financial statements

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.

Retirement benefits: defined contribution schemes

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

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.

Notes to the parent company financial statements

2. Tangible fixed assets

	Computer and office equipment £
Cost	
At 1 October 2010	140,718
Additions during the period	12,645
At 30 September 2011	153,363
Accumulated depreciation	
At 1 October 2010	43,258
Depreciation charge for the year	37,439
At 30 September 2011	80,697
Net book value	
At 30 September 2011	72,666
At 30 September 2010	97,460

3. Fixed asset investments

Investment in Joint Venture

On the 13 April 2011 the Company reached financial close on the CoRDe project securing £42.5million of debt funding from Lloyds Banking Group and the Royal Bank of Scotland plc , along with an equity investment of £9.3 million at project level by Rabo Project Equity BV when it became a joint venture between Helius Energy PLC ,Rabo Project Equity BV and The Combination of Rothes Distillers' Ltd. Helius Energy PLC holds 50% + 1 non-controlling share for an investment of £7.9 million detailed further in note 15 of the consolidated notes to the financial accounts

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

	Investments in subsidiaries £	Investments in Joint Ventures £
Cost		
At 1 October 2010	12,100,000	—
Additions during the period	—	7,852,631
At 30 September 2011	12,100,000	7,852,631
Provision for impairment		
At 1 October 2010	12,100,000	—
Provision	—	—
At 30 September 2011	12,100,000	—
Net book value		
At 30 September 2011	—	7,852,631
At 30 September 2010	—	—

Notes to the parent company financial statements

3. Fixed asset investments continued

The principal shareholdings of the Company are as follows:

Name	Country of incorporation	Subsidiary shareholding	Joint Venture shareholding
		as at 30 September 2011	as at 30 September 2011
Helius Power Limited	United Kingdom	100%	-
Helius Energy Africa (Pty) Limited	South Africa	-	-
Helius Energy Inc.	USA	-	-
Helius Energy Gamma Ltd	United Kingdom	100%	-
Helius CoRDe Limited	United Kingdom	-	50%
Southampton Biomass Power Ltd	United Kingdom	100%	-
Liverpool Biomass Power Ltd	United Kingdom	100%	-

Helius Energy Africa (PTY) Ltd was de-registered in March 2011

Helius Energy Inc. went into passive dissolution March 2011

Helius CoRDe Ltd reached financial close in April 2011 when it became a joint venture between Helius Energy PLC, Rabo Project Equity BV and The Combination of Rothes Distillers' Ltd. Helius Energy PLC holds 50% + 1 share for an investment of £7.9 million.

Southampton Biomass Power Ltd was incorporated on 21 July 2010.

Liverpool Biomass Power Ltd was incorporated on the 10 November 2010

4. Patents

	Investments £
Cost	
At 1 October 2010	900,000
Additions during the period	—
At 30 September 2011	900,000
Provision for impairment	
At 1 October 2010	900,000
Provision	—
At 30 September 2011	900,000
Net book value	
At 30 September 2011	—
At 30 September 2010	—

5. Stocks

	2011 £	2010 £
Work in progress	1,086,491	3,163,288

In the consolidated financial statements prepared under IFRS, work in progress is referred to as development projects in progress within the fixed asset category.

6. Debtors due in < 1 year

	2011 £	2010 £
Prepayments and other debtors	302,784	191,068
Amounts owed by Group undertakings	5,356,232	3,079,690
Amount owed from earn-out	8,460,565	100,000
	14,119,581	3,370,758

Amounts owed by Group undertakings are short term and repayable on demand.

Amounts owed from earn-out are detailed further in note 13 of the consolidated notes to the financial accounts.

Notes to the parent company financial statements

7. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	127,031	304,084
Other taxes and social security	53,359	64,664
Accruals and other creditors	245,548	222,167
	425,938	590,915

From 1 August 2011 the Company secured a £302,300 loan facility with Angus MacDonald a non-executive Director of Helius Energy plc. Interest will accrue on funds drawn under the facility at the rate of 4% per annum above the base rate from time to time of the Bank of England. The facility must be repaid in full on 30th June 2013. At 30 September 2011 no funds had been drawn down on the facility.

8. Share capital

	Issued and fully paid	
	2011 Number	2011 £
Ordinary shares of £0.01 each		
At 1 October 2010	87,123,483	871,235
Share issues	4,450,674	44,507
At 30 September 2011	91,574,157	915,742

	Authorised	
	2010 Number	2010 £
Ordinary shares of £0.01 each	200,000,000	2,000,000

	Issued and fully paid	
	2010 Number	2010 £
Ordinary shares of £0.01 each		
At 1 October 2009	84,772,652	847,727
Share issues	2,350,831	23,508
At 30 September 2010	87,123,483	871,235

In July 2011 non-executive director Angus MacDonald increased his holding in the Company following the issue of 4,360,674 new shares at 16p, representing 5% of the total issued share capital of the Company with an aggregate value of £697,707. All other shares issued in the financial year were for share options exercised. All shares issued in the period 30 September 2010 were in respect of the exercise of share options.

The Company abolished its authorised share capital when it adopted new articles at its AGM in 2011.

9. Reserves

	Capital redemption reserve £	Retained earnings £	Total £
At 1 October 2010	10,130	18,593,891	18,604,021
Loss for year	—	(2,452,086)	(2,452,086)
Share-based payments	—	462,409	462,409
At 30 September 2011	10,130	16,604,214	16,614,344

Notes to the parent company financial statements

10. Leases

Operating leases – lessee

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

	2011	2010
	£	£
Not later than one year	—	—
Later than one year and not later than five years	—	—
Later than five years	127,500	127,500
	127,500	127,500

11. Share-based payments

See note 20 in consolidated notes to financial statements.

12. Related party transactions

See note 21 in consolidated notes to financial statements.

13. Events after the balance sheet date

At a General meeting on 21 October a resolution was passed to raise approximately £6.55 million (gross) by way of a placing of New Ordinary Shares at 16 pence per share (the "Placing"). Admission of the new ordinary shares to trading on AIM occurred on 26 October 2011.

The Placing:

- Raised a substantial amount of capital, at a premium to the current market price;
- Demonstrates the Company's ability to attract investment from a number of high quality new and existing institutional and other investors; and
- Strengthens the Company's balance sheet and provides additional working capital to allow the Company to progress its immediate and longer term pipeline of projects, including seeking to secure:
 - project level funding for the Avonmouth Project; and
 - planning consent for the Southampton Project.

Advisers and general information

Country of incorporation
England & Wales

Legal form
Public limited company

Directors

John Seed (non-executive Chairman)
Dr Adrian Bowles (Chief Executive Officer)
Alan Lyons (Chief Financial Officer)
Christopher Corner (Commercial Director)
William J Ingram Hill (Chief Operating Officer)
Angus MacDonald OBE (non-executive Director)
William Rickett CB (non-executive Director)
Alastair Salvesen CBE (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
One Glass Wharf
BS2 0ZX

Auditors
BDO LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5RU

Nominated Advisers and Brokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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

Bankers
Barclays Bank plc
71 Grey Street
Newcastle upon Tyne NE1 6EF

