Helius Energy plc
Annual Report and Accounts 2014

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Chairman's Report

Overview

As you may now be aware and as was foreshadowed in our RNS on the 14th January 2015, I am sorry to have to inform you that Helius has been unable to obtain all of the necessary funding for its Avonmouth Project within the available timescales, and the Board does not now consider that the Company will be able to deliver either it or the Southampton Project. We have therefore impaired all related costs incurred to date and reflected this as a charge to the income statement of £13.5million.

In these circumstances the Company was faced with the need to raise additional financing to continue operating. The Board therefore considered the options for maximising value for shareholders and undertook a careful evaluation of the Company's business plan, operational assets, development strategy, market valuation and capital structure. These options included the potential sale of all or part of its interest in the CoRDe project and the Board now considers that the disposal of Helius CoRDe and the subsequent return of available cash provides the best value for our shareholders.

The Board is also recommending the cancellation of admission of the Ordinary Shares to trading on AIM and the re-registration of the Company as a private limited company. This will reduce overheads and simplify the mechanism for returning cash to Shareholders. These proposals are subject to Shareholder approval at the General Meeting to be held on 7th April 2015. The Directors have received irrevocable undertakings from Directors who hold Ordinary Shares, together with certain other shareholders, in respect of their own beneficial shareholdings which amount to 99,434,436 Ordinary Shares, equivalent to, in aggregate, 50.91 percent of the Company's current issued share capital.

Avonmouth and Southampton

The Company has held discussions with a number of potential project equity partners over the last three years. However, it has proved impossible to secure the total equity funding required to ensure that the Avonmouth project would be commissioned and operating in time to qualify for subsidy under the Renewables Obligation; and the planning consent for the project under Section 36 of the Electricity Act 1989 expired on 26 March 2015. This is despite the fact that the project was pre-qualified for a Treasury Guarantee which would have supported a significant proportion of the project debt, that all necessary consents had been obtained, that all necessary contractual agreements had been agreed in principle, and that the support of debt funders had been secured in principle.

This disappointing failure of the Company's prolonged negotiations on equity finance has been due, in part, to uncertainty about the impact of policy and regulation on the electricity market, including the Government's Electricity Market Reform ("EMR") programme and suggestions by politicians that electricity prices would be frozen or reduced. That uncertainty was among the reasons cited by prospective investors when they withdrew from negotiations with the Company. The recent fall in wholesale electricity prices may also have been a contributory factor. Given that it has not been possible to deliver the financing of the Avonmouth project, and to secure development fees, the Board considers that it will be impossible to complete Southampton Project. This position is reflected in the impairment of the Avonmouth and the Southampton Projects in the financial statements and in our results generally. In the absence of a planning consent or freehold interest in the land, the Company has not assigned any future value to either project.

CoRDe project performance in 2014

The Company originally invested c.£7.9m in the CoRDe project on financial close in April 2011 and continues to hold its stake of 50% plus one share in the project company. The project is now fully operational and exporting electricity to the grid, generating revenues in excess of £1m per month. Despite meeting our targets for electrical output for the year, technical issues led to significantly higher than planned fuel costs and unplanned disposal costs that exceeded £1m. Lower than expected prices for electricity and ROC Recycle payments had a further profit impact of around £0.5m. As a result, the plant made a small loss before tax.

These technical issues were resolved in July 2014 as part of the annual shutdown. Since then the plant has been operating well, with availability levels at or above guaranteed levels, fuel costs in line with expectations and no unforeseen disposal costs. This has translated into the plant making a good start to the new financial year with total project revenues for the three month period to December 2014 of c.£3.65m, EBITDA of c.£1.61m and profit before tax of c.£0.41m (unaudited), of which £0.2m is attributable to Helius Energy as a 50% shareholder. I would like to pay tribute and thanks to the CoRDe team at Rothes for their hard work in delivering this result.

CoRDe project sale and de-listing

On 20 March 2015, the Board signed a sale and purchase agreement with Leo Energy Ltd, a wholly owned subsidiary of iCON Infrastructure Partners II L.P (iCON), for the sale of its interest in the CoRDe project for £12.3m. The valuation achieved represents around 15 times annualised profits before tax, based on the Q1 unaudited results for the project. In the opinion of the board this represents good value. On completion the Company will receive 90% of the agreed sale proceeds and 10% will be held in Escrow for a period of 12 months to support any potential warranty claims. The transaction will also include a novation of the Company's Management Service Agreement. The transaction is subject to shareholder approval through an ordinary resolution and the satisfaction of a small number of conditions precedent in the sale and purchase agreement.

In order to reduce costs further and simplify the process of returning cash to shareholders, the Company is also seeking shareholder approval to cancel the company's admission to trading on AIM. Going forward, the Company will oversee the delisting process, reduce running costs, return capital to shareholders and manage the warranty period and any further return of cash following the end of the warranty period.

Strategic report

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future.

Further funds are required to ensure that the Company can meet its liabilities as they fall due. As set out above, the Company has signed a sale and purchase agreement for the sale of its joint venture investment. This agreement is subject to shareholder approval through an ordinary resolution, and the satisfaction of a small number of routine conditions precedent included in the sale and purchase agreement. The Directors have procured irrevocable commitments from more than 50% of the shareholders to approve the transaction and on this basis expect to receive payment for its shares, net of any retentions, following the shareholder vote. Should the sale of the joint venture investment not be achieved and if the Group is unable to secure additional funding, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that may be required if the Company is unable to continue as a going concern.

Conclusion

I regret the loss in the value of your investment in Helius Energy plc as a consequence of the impairment of the Avonmouth and Southampton projects. Having considered the trade-off between potential future returns and current value available for Shareholders, the Board considers that the disposal of the Company's interest in Helius CoRDe and the subsequent return of available cash provides the best value for all Shareholders and now ask for your support in delivering this at the General Meeting on the 7th April 2015 as detailed in the Circular.

John M Seed

John Seed, Chairman

Strategic report

Business review

CoRDe Project

The CoRDe project is fully operational and exporting electricity to the grid. Over the year the plant processes around half a million tonnes of distillery residues producing around 40,000 tonnes of pot ale syrup for distribution into the animal feed market.

The plant provides an essential disposal route for distillery residues and produces significantly reduced CO2 emissions when compared with some other disposal routes. All of these activities resulted in the plant generating revenues in excess of £13m for the reporting period, with the future expectation being that revenues will be in excess of £1m per month, depending on electricity and animal feed prices. During the period, the Company received management service income of £0.2m from the project under its ongoing management services agreement, slightly less than the corresponding period in the previous year as a consequence of the obligations under the operational Management Services Agreement being less than they were in the construction phase. The Company's share of losses generated by the plant for the period was £19k. This loss is a significantly less favourable outcome than expected and was caused by a combination of additional costs of more than £1m incurred by the plant as a consequence of a technical issue with the drying system and a separate issue with throughput of the evaporator plant, both of which are now fully resolved. Lower than expected electricity and ROC recycle prices further reduced profits by more than £0.5m.

The plant has made a good start to the new financial year with total project revenues for the three month period to December 2014 of c.£3.65m, EBITDA of c.£1.61m and profit before tax of c.£0.41m (unaudited). The outlook for project revenues is robust, with c30% per cent derived from fixed gate fees, c.34% per cent from sale of ROCs and c.20% per cent from sale of electricity (with a large proportion of this supported by a floor price in the Power Purchase Agreement). The balance of income is derived from other revenue streams, including the sale of syrup into the animal feed market and the operation of the Effluent Treatment Plant.

Avonmouth Project

The Company progressed discussions with a number of potential project equity partners over the last three years but has failed to secure a binding commitment to fund the total equity requirements of the project. This disappointing outcome has been due, in part, to investor uncertainty about the UK energy market and the impact of the Government's Electricity Market Reform (EMR) programme.

At the end of the reporting period, the Company had incurred costs of £9.6m on the project. At this time the board undertook a review of the expected recoverable amount of the project and took actions to minimise any further costs in relation to the project. While the efforts made to reach financial close were maintained it has not been possible to secure an equity investor before the planning consent expired in March 2015. As a consequence of the expiry of the planning consent on 26 March 2015, the lapse of the option over the leasehold for the site, and the significant payments required to maintain the grid connection, the board made the assessment that the recoverable value of the project was £nil. As a result the projects were impaired in full at the reporting date and this is reflected in a charge to the income statement.

Southampton Project

At the end of the reporting period, the Company had incurred costs of £4.0m on the project. In parallel with the review of the Avonmouth project, the board also considered the expected recoverable value of this project. As a consequence of the failure to secure an equity investor for the Avonmouth project and the resultant lack of funding for further project development, the board decided to impair all costs incurred to date and reflect this as a charge to the income statement.

Outlook

The Board has considered its options to secure value for shareholders given the difficulties attracting an investor for the Avonmouth project and the challenges that developers face in the current commodity price and regulatory market conditions. The board has concluded that the sale of its interest in the CoRDe project delivers significant value when compared with the Company's current market valuation and ensures no erosion of value through further development activity. The Board has signed a sale and purchase agreement with Leo Energy Ltd, a wholly owned subsidiary of iCON Infrastructure Partners II L.P (iCON), for the sale of its interest in the CoRDe project for £12.3m. The valuation achieved represents around 15 times annualised profits before tax, based on the Q1 unaudited results for the project, of which £0.2m is attributable to Helius (representing £0.8m on an annualised basis). In the opinion of the board this represents good value. The transaction will also include a novation of the Company's Management Service Agreement in respect of the project. The transaction is subject to shareholder approval through an ordinary resolution and the satisfaction of a small number of conditions precedent in the sale and purchase agreement.

Financial Position and Key Performance Indicators

During the financial year the Company expended £2.6 million (2013: £5.1million) of cash through its operating and investing activities. This was made up of £1.3 million (2013 £2.1m) of corporate and administration costs (operating activities including movements in working capital) and £1.3 million (2013 £3.0m) of project development costs (investing activities). The primary focus for this expenditure was the progression of the Avonmouth and Southampton projects. *Cash and short-term deposits held by the Company* as at 30 September 2014 were £0.6 million.

The Group is not making any further financial commitments to the Avonmouth or Southampton projects and is reliant on cash receipts from the CoRDe project in the form of sale proceeds from a divestment of its shareholding in that project.

The Company has been working towards a disposal of its interest in the CoRDe project and has a signed a sale and purchase agreement with Leo Energy Ltd. The transaction is subject to shareholder approval and a limited number of other conditions. In the unlikely event that it becomes apparent that the disposal will not be completed and that no dividends will be received from the project, the Group will seek to secure additional funding from other sources in order to meet its ongoing working capital requirements.

If the Group is unable to secure alternative funding, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that may be required if the Company was unable to continue as a going concern.

Key financial highlights
Income statement

	2014 £'000	2013 £'000
Revenue (management service agreements)	**226**	277
Cost of sales	**(223)**	(246)
Administrative costs including share based payments	**(1,564)**	(1,349)
Project impairment	**(13,554)**	-
Operating loss	**(15,115)**	(1,318)
Net finance (expense)/ income	**-**	(14)
Share of post tax loss from joint venture	**(184)**	(105)
Loss for the period	**(15,299)**	(1,437)

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 2014 which was a loss of £0.2m (2013: a gain of £1.2m) in the share of post tax loss line in the above table. In the prior year the gain was recognised in the statement of other comprehensive income.

The following milestones were achieved during the year:

- The CoRDe project completed its first full year of operation
- Management service income of £226k arising from services provided to the CoRDe project
- Administrative cost reductions delivered
- A secondary placing of £0.7m providing additional working capital for the group

Since the year end:

- Significant restructuring programme delivered resulting in material operating cost reductions
- Sale of shareholding in CoRDe project agreed for £12.3m, subject to shareholder approval

Strategic report

Principal risks and uncertainties
The Company is exposed to a number of risks and uncertainties:

1. Those risks associated with delivery of the business model

1.1 Sale of joint venture investment
There are two keys risks associated with the sale of the CoRDe project. First, there is a risk that the transaction does not receive shareholder approval or that other conditions of the sale are not met. No payment would then be made to Helius under the terms of the sale and purchase agreement (SPA) with iCON and the Company would require additional funding. This risk has been mitigated by obtaining irrevocable commitments from certain shareholders and from all board members to vote in favour of the sale and by agreeing in principle a form of bank consent and waiver in respect of the iCON transaction.

Secondly there is a risk of warranty or indemnity claims during the limitation period of one year from the date of completion of the SPA. This may affect the ability of the board to return the amount held in retention of £1.23miliion to shareholders at the end of the warranty period. This risk is mitigated through the negotiation of warranties that the Company believe are reasonable. It is further mitigated by disclosure in respect of the warranties.

a. Operational risks
The CoRDe Project entered into commercial operation in 2013. It represents the Group's first ongoing revenue and cash generating asset. The CoRDe plant is exposed to a number of operational risks which could impact on the revenue from the project, including (without limitation):

- unplanned outages due to break-down or force majeure;
- the completed plant failing to perform to the required levels;
- supplier default or insolvency; and
- failure of the plant to comply with EU, UK and/or local environmental and health and safety laws and regulations which could result in civil or criminal liability, the limitation, suspension or termination of operations, the imposition of clean-up costs, fines or penalties or large expenditures, which may adversely affect the Group's business, results from operations or financial condition.

These risks are mitigated through the application by the CoRDe Project of good operational practices and procedures, through the appointment and retention of appropriately qualified staff and management to oversee the operation and maintenance of the plant, and through arrangements with the distillers to mitigate events that may lead to a reduced processing capability.

2. General risks
Liquidity
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 receipt of funds from the sale of its shareholding in the CoRDe project. Any delay in receipt of these funds would lead to a requirement for additional working capital.

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.

Sustainability
The Company is a responsible and ethical company and is totally committed to being a sustainable business but is exposed to legislative risks associated with sustainability regulations and related compliance. The directors monitor possible changes to legislation and where possible engage in the consultation process to safeguard the Company's interests. The Company's sustainability strategy is designed to ensure ecological, social and climate change impacts are minimised, particularly in its feedstock procurement, to ensure the business exceeds UK and EU targets associated with these areas.

Alan Lyons
Chief Financial Officer

William J. Ingram Hill
Chief Operating Officer

30th March 2015

Advisors

Secretary and Registered Office
William J. Ingram Hill

Europarc Innovation Centre

Innovation way

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Solicitors
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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 2014.

Results and dividends
The consolidated income statement is set out on page 16 and shows the loss for the period. The consolidated statement of total comprehensive income is set out on page 17 and shows the comprehensive loss for the period.

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

Principal activity
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.

Directors
The following directors have held office during the financial year:

Mr John Seed	(Chairman) – See note below
Dr Adrian Bowles	(Chief Executive Officer)
Mr Alan Lyons	(Chief Financial Officer)
Mr Christopher Corner	(Commercial Director)
Mr William Ingram Hill	(Chief Operating Officer)
Mr Angus MacDonald OBE	(non-executive)
Mr William Rickett CB	(non-executive)
Mr Alastair Salvesen CBE	(non-executive)

Subsequent to the year end the following directors resigned:

Dr Adrian Bowles (Chief Executive Officer) – resigned 3 November 2014
Mr Christopher Corner (Commercial Director) – resigned 3 November 2014

On 3 November 2014 John Seed became Executive Chairman and Chief Operating Officer, William Ingram Hill, and Chief Financial Officer, Alan Lyons, jointly formed the Executive team.

Directors' Report

Substantial shareholders and directors' holdings
At 4h March 2015, 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)	8,158,464	4.17%	nil
Mr Peter Little	9,589,890	4.91%	nil
Ms Ann Gloag (through Highland & Universal Investments)	17,870,833	9.15%	nil
Sonnenberg Family	12,541,463	6.42%	nil
Directors' shareholdings			
Mr Alastair Salvesen	51,654,045	26.44%	nil
Mr and Mrs Angus MacDonald	35,214,917	18.03%	nil
Mr and Mrs Christopher Corner	5,915,385	3.03%	1,147,916
Mr John Seed	3,634,616	1.86%	1,512,916
Dr Adrian Bowles	2,134,616	1.09%	2,582,916
Mr William Ingram Hill	1,027,857	0.52%	245,000
Mr Alan Lyons	103,000	—	1,902,916

Directors' remuneration
The Remuneration Committee comprises all 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, 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/LTIP's £'000	Health scheme £'000	**Year ended 30 September 2014 £'000**	Year ended 30 September 2013 £'000
Executive directors							
Adrian Bowles	190	14	-	-	3	**207**	207
Alan Lyons	155	12	-	-	2	**169**	169
Christopher Corner	150	11	-	-	3	**164**	163
William Ingram Hill	138	7	-	-	2	**147**	147
Non-executive directors							
John Seed	30	-	-	-	-	**30**	30
Angus MacDonald	20	-	-	-	-	**20**	20
William Rickett	24	-	-	-	-	**24**	24
Alastair Salvesen	20	-	-	-	-	**20**	20
Total	727	44	-	-	10	**781**	780

At the balance sheet date £155k of remuneration remained unpaid for the year end 30 September 2014. This is included within trade and other payables as part of accruals.

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 2014:

	2014 Number of ordinary shares subject to options granted under the EMI Approved Plan	2014 Number of ordinary shares subject to options granted under the Unapproved Plan	2014 Number of ordinary shares subject to options granted under the Unapproved Performance Incentive Plan	2014 Number of ordinary shares subject to options granted under the Long term Incentive Plan	**2014 Total number of ordinary shares Outstanding under the Plans**	2013 Total number of ordinary shares Outstanding under the Plans
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
William Ingram Hill	-	-	80,000	165,000	**245,000**	245,000
John Seed	832,916	-	80,000	600,000	**1,512,916**	1,512,916
Angus MacDonald	-	-	-	-	-	-
William Rickett	-	-	-	-	-	-
Alastair Salvesen	-	-	-	-	-	-
Total	2,803,832	527,832	1,740,000	2,320,000	**7,391,664**	7,391,664

The IFRS 2 'Share-based Payment' credit for the directors is £528,478 (2013: charge of £26,595). The credit to the income statement is due to a reversal of previous charges for options which are now not expected to vest. The vesting conditions for these options are linked to the date of closing of the Avonmouth and Southampton projects. As the projects are impaired the board consider that the options will no longer vest.

The details of the above plans and schemes are further explained in note 18.

Service contracts
The service agreements with the executive directors, with the exception of the COO, have a termination notice period of twelve months. The non-executive directors and the COO 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.

Trade payable days for the Group at 30 September 2014 were 37 days (2013: 53 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.

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 Group 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 the Alternative Investments Market.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

BDO LLP were re-appointed as auditors during the period and have expressed their willingness to continue in office.

By order of the Board

Alan Lyons
Chief Financial Officer
30th March 2015

Corporate Governance

Compliance
Throughout the period ended 30 September 2014 the Board has sought to comply with a number of the provisions of the UK Corporate Governance Code (the Code) in so far as it considers them to be appropriate to a company of the size and nature of the Company. The directors make no statement of compliance with the Code overall and do not 'explain' in detail any aspect of the Code with which they do not comply. The Company continues to keep its overall system of internal control under review.

Board effectiveness
The Board comprises the Chairman, three non-executive directors and two executive directors. Two additional directors were members of the Board during the period ended 30 September 2014, but ceased to be members of the Board or employees of the Company from 3 November 2014.

The senior independent non-executive director of the Company is William Rickett, who does not hold any shares in the Company.

Prior to 3rd November 2014 there was a clear separation of the roles of Chairman and Chief Executive Officer to ensure an appropriate balance of power and authority. Since 3rd November 2014, the functions of the Chief Executive Officer have been performed by the Chief Operating Officer and the Chief Financial Officer jointly.

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. 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 the Chairman and 3 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 is comprised of the Chairman and 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.

Board committees continued
During the financial year ending on 30 September 2014, the number of Board and committee meetings attended by individual directors was as follows:

	Board	Audit	Remuneration
John Seed	11/11	2/2	1/1
Angus MacDonald	11/11	2/2	1/1
William Rickett	11/11	2/2	1/1
Alastair Salvesen	11/11	2/2	1/1
Adrian Bowles	11/11	n/a	n/a
Alan Lyons	11/11	n/a	n/a
Chris Corner	11/11	n/a	n/a
William Ingram Hill	11/11	2/2[1]	n/a

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

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.

Ordinarily, 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 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

This year a General Meeting will be called to approve certain matters, including the proposal to approve the sale of the Company's interest in the CoRDe project, and shareholders will be entitled to ask relevant questions of the Board at that meeting.

By order of the Board

William J Ingram Hill
Chief Operating Officer and Company Secretary

[1] In attendance as 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 2014 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate

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 2014 and *of the group's loss 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 strategic report and 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.

BDO LLP

Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds, United Kingdom
30th March 2015

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 2014

	Note	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Revenue	[4]	**226,156**	276,949
Cost of sales		**(223,025)**	(246,355)
Gross profit		**3,131**	30,594
Other administrative expenses		**(1,563,823)**	(1,348,791)
Impairment of development projects		**(13,553,823)**	—
Total administrative expenses		**(15,117,646)**	(1,348,791)
Operating loss	[5]	**(15,114,515)**	(1,318,197)
Finance income	[7]	**—**	3,341
Finance expense	[7]	**—**	(17,449)
Share of post-tax loss from joint venture	[13]	**(184,385)**	(105,036)
Loss before tax		**(15,298,900)**	(1,437,341)
Tax expense	[8]	**—**	—
Loss for the year attributable to equity holders of the parent company		**(15,298,900)**	(1,437,341)
Basic loss per share attributable to equity holders of the parent company (pence)	[9]	**(8.32)**	(0.89)
Diluted loss per share attributable to equity holders of the parent company (pence)	[9]	**(8.32)**	(0.89)

The notes on pages 21 to 37 form part of these financial statements.

Consolidated statement of total comprehensive income
For the year ended 30 September 2014

		Year ended 30 September 2014 £	Year ended 30 September 2013 £
Loss for the year attributable to equity holders of the parent company		**(15,298,900)**	(1,437,341)
Other comprehensive income net of tax		**—**	—
Share of other comprehensive income, net of tax, from Joint Venture	[13]	**879,667**	1,216,801
Total comprehensive loss for the year attributable to equity holders of the parent company		**(14,419,233)**	(220,540)

The other comprehensive income from Joint Venture which relates to the share of movements in cash flow hedges in Helius CoRDe Limited may be reclassified to the profit or loss section of the income statement in the future.

The notes on pages 21 to 37 form part of these financial statements.

Consolidated statement of financial position
As at 30 September 2014

	Note	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Non-current assets			
Property, plant and equipment	[11]	**7,451**	12,274,890
Investment in joint venture	[13]	**8,850,254**	8,154,972
Total non-current assets		**8,857,705**	20,429,862
Current assets			
Trade and other receivables	[14]	**224,322**	1,076,462
Cash and cash equivalents		**612,615**	2,431,174
Total current assets		**836,937**	3,507,636
Total assets		**9,694,642**	23,937,498
Current liabilities			
Trade and other payables	[15]	**(553,034)**	(538,543)
Total current liabilities		**(553,034)**	(538,543)
Total liabilities		**(553,034)**	(538,543)
Total net assets		**9,141,608**	23,398,955
Total capital and reserves attributable to equity holders of the parent company			
Share capital	[16]	**1,953,005**	1,828,100
Share premium reserve	[16]	**17,347,877**	16,681,756
Capital redemption reserve	[16]	**10,130**	10,130
Merger reserve	[16]	**—**	410,833
Cash flow hedge reserve	[16]	**(1,239,982)**	(2,119,649)
Retained earnings	[16]	**(8,929,422)**	6,587,785
Total equity		**9,141,608**	23,398,955

The notes on pages 21 to 37 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 30th March 2015 and were signed on its behalf by:

Alan Lyons

Chief Financial Officer

Consolidated statement of cash flows
For the year ended 30 September 2014

	Note	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Operating activities			
Loss for the year		**(15,298,900)**	(1,437,341)
Impairment of property, plant and equipment	[11]	**13,553,823**	—
Depreciation		**10,162**	29,377
Finance income	[7]	**—**	(3,341)
Finance expense	[7]	—	17,449
Share of post-tax loss from joint venture	[13]	**184,385**	105,036
Share option costs		**(629,140)**	29,403
Cash flow from operations before changes in working capital		**(2,179,670)**	(1,259,417)
Decrease/(increase) in trade and other receivables		**852,140**	(414,102)
Increase/(decrease) in trade and other payables		**14,491**	(457,849)
Total changes in working capital		**866,631**	(871,951)
Net cash used in operating activities		**(1,313,039)**	(2,131,368)
Investing activities			
Investment in development projects in progress	[11]	**(1,296,546)**	(3,011,377)
Interest received	[7]	—	3,341
Net cash used in investing activities		**(1,296,546)**	(3,008,036)
Financing activities			
Interest paid and finance expenses		**—**	(17,449)
Share issue		**791,026**	5,618,243
Net cash from financing activities		**791,026**	5,600,794
Net (decrease)/ increase in cash and cash equivalents		**(1,818,559)**	461,390
Cash and cash equivalents at the beginning of the year		**2,431,174**	1,969,784
Cash and cash equivalents at the end of the year		**612,615**	2,431,174

The notes on pages 21 to 37 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 30 September 2014

2013	Capital redemption reserve £	Share capital £	Share premium £	Merger reserve £	Cash flow hedge reserve £	Retained earnings £	Total £
Changes in equity							
At 1 October 2012	10,130	1,328,537	11,563,076	410,833	(3,336,450)	7,995,723	17,971,849
Loss for the year	—	—	—	—	—	(1,437,341)	(1,437,341)
Other comprehensive income	—	—	—	—	1,216,801	—	1,216,801
Total comprehensive loss for the year	—	—	—	—	1,216,801	(1,437,341)	(220,540)
Issue of share capital	—	499,563	5,495,199	—	—	—	5,994,762
Capital raised costs	—	—	(376,519)	—	—	—	(376,519)
Share-based payments	—	—	—	—	—	29,403	29,403
At 30 September 2013	10,130	1,828,100	16,681,756	410,833	(2,119,649)	6,587,785	23,398,955

2014	Capital redemption reserve £	Share capital £	Share premium £	Merger reserve £	Cash flow hedge reserve £	Retained earnings £	Total £
Changes in equity							
At 1 October 2013	10,130	1,828,100	16,681,756	410,833	(2,119,649)	6,587,785	23,398,955
Loss for the year	—	—	—	—	—	(15,298,900)	(15,298,900)
Other comprehensive income	—	—	—	—	879,667	—	879,667
Total comprehensive loss for the year	—	—	—	—	879,667	(15,298,900)	(14,419,233)
Issue of share capital	—	124,905	749,429	—	—	—	874,334
Capital raised costs	—	—	(83,308)	—	—	—	(83,308)
Share-based payments	—	—	—	—	—	(629,140)	(629,140)
Subsidiary Helius Power dissolved	—	—	—	(410,833)	—	410,833	—
At 30 September 2014	**10,130**	**1,953,005**	**17,347,877**	**—**	**(1,239,982)**	**(8,929,422)**	**9,141,608**

The notes on pages 21 to 37 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 13.

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 38.

Going concern
The financial statements have been prepared on the going concern basis which assumes that the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future.

Further funds are required to ensure that the Company can meet its liabilities as they fall due. As set out above, the Company has signed a Sale and Purchase agreement for the sale of its joint venture investment. This Sale and Purchase agreement is subject to shareholder approval through an ordinary resolution and the satisfaction of a small number of routine conditions precedent included in the Sale and Purchase agreement. The Directors have procured irrevocable commitments from more than 50% of the shareholders to approve the transaction and on this basis expect to receive payment for its shares, net of any retentions, following the shareholder vote.

Should the sale of the joint venture investment not be achieved and if the Group is unable to secure additional funding, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that may be required if the Company was unable to continue as a going concern.

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 2014.

The consolidated financial statements incorporate the results of Helius Energy plc and all of its subsidiary undertakings as at 30 September 2014, 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.

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 Company'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 2014 adopted by the Company:

- 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.
- 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.
- Annual 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'.
    - IAS 1 'Presentation of Financial Statements'
    - IAS 16 'Property, plant and equipment'.
    - IAS 32 'Presentation of Financial Statements'

(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 2014 or later periods but are currently not relevant to the Company's operations:

- IAS 19 Employee Benefits.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.
- IFRS 1 Government Loans.

Notes to the consolidated financial statements

1. Accounting policies continued
Changes in accounting policies continued

- IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 Disclosures-Offsetting Financial Assets & Liabilities

(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 2014 or later periods and which the Company has decided not to adopt early. Management are currently assessing the impact of these standards, amendments and interpretations.

- 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.
- 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.
- 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.
- 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).
- 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. Proportionate consolidation is no longer an option for joint ventures.
- IFRIC 21: Interpretation of IAS 37 Provisions
- Amendments to IAS19: Defined Benefit Plans: Employee Contributions
- Annual improvements to IFRS (2010-2012 Cycle)
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
- IFRS 9: Financial Instruments
- Amendments to IAS 36: Recoverable amounts disclosures for non-financial assets
- Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting.
- Annual improvements to IFRS (2011-2013 Cycle)
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
- Annual Improvements to IFRSs (2012–2014 Cycle)
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

Notes to the consolidated financial statements

1. Accounting policies continued

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

Management services are provided for monthly contracted amounts with any additional services resulting in additional charges.

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 (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.

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 receivables comprise 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.

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:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Hedge accounting
Hedge accounting was 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 2014. Hedge accounting was 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.

Notes to the consolidated financial statements

1. Accounting policies continued

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, were 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) were also recognised in other comprehensive income and accumulated in the cash flow hedge reserve.

The joint venture adopted the basis adjustment where the hedge of a forecast transaction results in a non-financial asset, whereby associated gains and losses recognised directly in equity were included in the initial cost of the non-financial asset.

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 were reflected in the consolidated statement of comprehensive income.

Where the hedging designation is revoked the cumulative gain or loss on the hedging instrument recognised directly in equity when the hedge was effective will be recycled to the consolidated income statement as the related expense is incurred.

The cash flow hedges will be derecognised in the financial statements following the sale of the Company's share in the CoRDe project.

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 (included within Property, plant and equipment)
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.

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.

Notes to the consolidated financial statements

1. Accounting policies continued

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

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

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

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

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the 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. The Board 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 the Board 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.

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) Going Concern

Further funds are required to ensure that the Company can meet its liabilities as they fall due.

The Company has signed a Sale and Purchase agreement for the sale of its shareholding in Helius CoRDe Ltd. This Sale and Purchase agreement is subject to shareholder approval through an ordinary resolution and the satisfaction of a small number of routine conditions precedent in the Sale and Purchase agreement. The Directors expect to secure the required votes to approve the transaction and on this basis expect to receive payment for its shares, net of any retention, following the shareholder vote.

Should the shareholders vote against the sale the Company will need to secure alternative financing. The Directors have received irrevocable undertakings from Directors who hold Ordinary Shares, together with other shareholders, in respect of their own beneficial shareholdings which amount to 99,434,436 Ordinary Shares, equivalent to, in aggregate, 50.91 percent of the Company's current issued share capital.

(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 development projects in progress have been written down to £nil at 30 September 2014. Further detail of the impairment is provided 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 18 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.

Notes to the consolidated financial statements

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*
  - 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 2013 and 30 September 2014.

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, cash flow hedge reserve and retained earnings totalling £9.1 million at 30 September 2014 (2013: £23.4 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 £15,298,900 loss for the period ended 30 September 2014. The directors have recommended that no dividends will be payable for the period (2013: nil).

On the 1 September 2014 the Directors raised £874k of additional funding by alloting shares in the Company within the pre-emption limits permitted by a resolution passed in the General meeting on 28 March 2014.The new Ordinary Shares were alloted at 7 pence per share.

At a General meeting on 6 March 2013 a resolution was passed to raise approximately £6.0 million (gross), £5.6m (net) by way of a firm placing and open offer of New Ordinary Shares at 12 pence per share. Admission of the 49,956,349 new ordinary shares to trading on AIM occurred on 7 March 2013.

3. Financial instruments – risk management continued

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.

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.

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 13.

4. Revenue recognition
Revenue represents income arising from the Management Services Agreements with the Combination of Rothes Distillers' (CORD) and Helius CoRDe Limited, *a joint venture in which the Company holds 50% plus 1 share. The revenue recognised in the year from* the joint venture was £226,156 (2013: £208,755) and £nil (2013: £68,194) from The Combination of Rothes Distillers'.

5. Loss from operations
This has been arrived at after charging:

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Staff costs	**1,607,510**	1,791,721
Depreciation	**10,162**	29,377
Auditors		
Audit fees	**33,000**	37,000
Other taxation services	**6,588**	6,250
All other services	**2,157**	2,515
Operating lease expense – property	**115,909**	115,909

6. Staff costs

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Staff costs (including directors) comprise:		
Wages and salaries	**1,339,903**	1,447,894
Social security costs	**153,538**	182,705
Defined contribution pension costs	**78,290**	86,055
Health scheme	**35,779**	35,067
Bonus	—	40,000
	1,607,510	1,791,721

2013 – the average number of employees (including directors) during the period was 20.
2014 – the average number of employees (including directors) during the period was 19.
Included in other creditors at 30 September 2014 is £8,942 (30 September 2013: £10,977) of pension contributions unpaid at that date.

6. Staff costs continued

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Directors' remuneration, included in staff costs		
Salaries	**726,500**	726,500
Company contributions to private pension schemes	**44,000**	44,000
Bonus	**—**	—
Health scheme	**10,419**	9,240
	780,919	779,740

Details of all directors' remuneration, including the remuneration of the highest paid director, for the year ended 30 September 2014 are listed in the directors' report.

7. Finance income and expenses

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Finance income		
Bank interest receivable	—	3,341
Finance income recognised in profit or loss	—	3,341
Finance expenses		
Loan interest payable	—	(2,449)
Finance fee	—	(15,000)
Finance expenses recognised in profit or loss	—	(17,449)

8. Tax expense

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
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 2014 £	Year ended 30 September 2013 £
(Loss)/profit before tax	**(15,298,900)**	(1,437,341)
Expected tax charge based on the standard rate of corporation tax in the UK of 22% (prior year 23.5%)	**(3,365,758)**	(337,775)
Expenses not allowable for tax	**3,079,529**	25,452
Other tax differences	**1,281**	4,292
(Utilisation)/increase in losses	**284,948**	308,031
Allowable deduction on exercise of share options	—	—
Total tax charge for the period	—	—

The Group has tax losses carried forward of £13,237,000 for the year ended 30 September 2014 and £12,729,000 for 30 September 2013. 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 it is consider unlikely, in the foreseeable future, that there will be taxable profits available against which the unused tax loss can be utilised.

Notes to the consolidated financial statements

9. Loss per share

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

	Year ended 30 September 2014 £	Year ended 30 September 2013 £
Loss		
Loss used in calculating basic and diluted loss	**(15,298,900)**	(1,437,341)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**183,836,597**	161,321,909
Effect of employee share options	—	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**183,836,597**	161,321,909

The bonus effect of options was excluded from the number of shares used in the diluted EPS calculation for 2014 and 2013 as those options were antidilutive.

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 2012	139,461	9,254,418	9,393,879
Additions	6,213	3,005,164	3,011,377
Disposals	(31,061)	—	(31,061)
Impairment	—	—	—
Balance at 30 September 2013	114,613	12,259,582	12,374,195
Balance at 1 October 2013	114,613	12,259,582	12,374,195
Additions	2,305	1,294,241	1,296,546
Disposals	(19,648)	—	(19,648)
Balance at 30 September 2014	**97,270**	**13,553,823**	**13,651,093**
Accumulated depreciation			
Balance at 1 October 2012	100,989	—	100,989
Depreciation charge for the year	29,377	—	29,377
Depreciation on disposals	(31,061)	—	(31,061)
Balance at 30 September 2013	99,305	—	99,305
Balance at 1 October 2013	99,305	—	99,305
Depreciation charge for the year	10,162	—	10,162
Depreciation on disposals	(19,648)	—	(19,648)
Impairment	—	13,553,823	13,553,823
Balance at 30 September 2014	**89,819**	**13,553,823**	**13,643,642**
Net book value			
At 30 September 2014	**7,451**	**—**	**7,451**
At 30 September 2013	15,308	12,259,582	12,274,890

Notes to the consolidated financial statements

11. Property, plant and equipment continued

Impairment of Development Projects	2014
	£
Southampton Project	3,999,041
Avonmouth Project	9,554,782
	13,553,823

The Company has failed to secure any commitment to funding for the Avonmouth project despite entering heads of terms or similar arrangements with a number of potential investors over a three year period. There are currently no detailed discussions ongoing for the provision of equity for the project. The planning consent for the project expired on March 26th 2015, and the options for the lease at Bristol port and the grid connection agreement also expired in March 2015. As a consequence of all of the above the Board decided that it was appropriate to impair the Avonmouth project.

The Southampton project does not have a planning consent, and, based on the Company's failure to secure finance for the Avonmouth project the Board have decided not to commit any further funding to this project. On this basis, the Board have decided that it was appropriate to impair the Southampton project.

12. Subsidiaries

The principal subsidiaries of the Company are as follows:

Name	Country of incorporation	**Ownership as at 30 September 2014**	Ownership as at 30 September 2013
Helius Power Limited	United Kingdom	**-**	100%
Helius Energy Gamma Ltd	United Kingdom	**100%**	100%
Southampton Biomass Power Ltd	United Kingdom	**100%**	100%
Liverpool Biomass Power Ltd	United Kingdom	**-**	100%

Helius Power Limited was dissolved on 29 July 2014.

Liverpool Biomass Power Limited was dissolved on 12 August 2014.

13. Investment in Joint Venture

Helius Energy plc valued its shareholding in the joint venture initially at fair value following the loss of control in the entity. In subsequent periods adjustments have been made to the carrying amount of the investment to reflect the company's share of the joint venture's results which include any comprehensive income.

	2013
	£
Investment at 30 September 2012	7,043,207
Share of other comprehensive income in joint ventures relating to cash flow hedges	1,216,801
Share of loss	(105,036)
Investment at 30 September 2013	**8,154,972**

	2014
	£
Investment at 30 September 2013	8,154,972
Share of other comprehensive income in joint ventures relating to cash flow hedges	879,667
Share of loss	(184,385)
Investment at 30 September 2014	**8,850,254**

Notes to the consolidated financial statements

13. Investment in Joint Venture continued

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

	Helius CoRDe Ltd 30 September 2014	Helius Energy plc share 30 September 2014	Helius CoRDe Ltd 30 September 2013	Helius Energy plc share 30 September 2013
Property, plant and equipment	54,884,318	50%	56,850,251	50%
Other current assets	6,664,388	50%	10,588,897	50%
Long term assets	702,798	50%	-	50%
Current liabilities	(5,153,858)	50%	(8,660,865)	50%
Long term liabilities	(38,687,945)	50%	(41,033,840)	50%
Financial instruments relating to cash flow hedges	(3,513,992)	50%	(4,239,297)	50%
Profit/(loss)	(368,770)	(184,385)	(210,071)	(105,036)
Other comprehensive income relating to cash flow hedges	1,759,334	879,667	2,433,602	1,216,801

Revenue	13,334,483	50%	2,681,540	50%
Cost of Sales	(5,064,520)	50%	1,000,214	50%
Gross profit	8,269,963	50%	1,681,326	50%
Administration expenses	(5,853,007)	50%	(1,257,925)	50%
Interest payable	(2,533,652)	50%	(633,472)	50%
Loss on hedge	(414,036)	50%	-	50%
Profit/(loss) before taxation	(530,732)	50%	(210,071)	50%
Taxation	161,962	50%	-	50%

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 was 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 had recognised its share of the movement in the period to 30 September 2013 of £1,216,801 within other comprehensive income.

The hedge accounting policy was revoked during the year and therefore the group has recognised its share of the movement in the period to 30 September 2014 of £362,653 in the consolidated income statement. The cash flow hedge reserve held in respect of the hedge accounting applied in prior years will be recycled to the consolidated income statement as the related interest expense is incurred.

The hedging policy adopted by the joint venture 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 2014 the bank provided a fair value of the outstanding portion of the forward contract and this analysis resulted in a total liability of £17k.

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. At 30 September 2014 the fair value of the interest rate swap was a liability of £3.5m.

During the first full year of Operations the Combined Heat and Power plant functioned well and Power production was as planned. However, technical issues with the draff processing plant and Evaporator plant limited performance, and resulted in additional disposal costs and fuel costs. These issues have been largely resolved and with all areas of the plant now operating as planned, electricity and pot ale sales volumes are being maximized. Distillery by-products processing is being maximized around plant capacity. Therefore the directors' remain optimistic about the future performance of the joint venture.

14. Trade and other receivables

	2014 £	2013 £
Trade and other receivables	**26,713**	70,201
Prepayments	**197,609**	1,006,261
	224,322	1,076,462

No trade and other receivable balances are past due or impaired (2013: *none*).

The fair value of trade and other receivables is equal to the book value.

All amounts disclosed within trade and other receivables are aged up to three months old.

15. Trade and other payables

	2014 £	2013 £
Trade creditors	**90,212**	89,295
Other taxes and social security	**39,366**	52,145
Accruals	**423,456**	397,103
	553,034	538,543

The fair value of trade and other payables is equal to the book value.

16. Share capital

	Issued and fully paid	
	2014 Number	2014 £
Ordinary shares of £0.01 each		
At 1 October 2013	**182,809,982**	**1,828,100**
Shares issued	**12,490,486**	**124,905**
At 30 September 2014	**195,300,468**	**1,953,005**

	Issued and fully paid	
	2013 Number	2013 £
Ordinary shares of £0.01 each		
At 1 October 2012	132,853,633	1,328,537
Shares issued	49,956,349	499,563
At 30 September 2013	182,809,982	1,828,100

On the 1 September 2014 the Directors raised £0.9 million of additional funding by allotting shares in the Company within the pre-emption limits permitted by a resolution passed in the General meeting on 28 March 2014.The new Ordinary Shares were allotted at 7 pence per share.

At a General meeting on 6 March 2013 a resolution was passed to raise approximately £6.0 million (gross), £5.6m (net) by way of a firm placing and open offer of New Ordinary Shares at 12 pence per share. Admission of the 49,956,349 new ordinary shares to trading on AIM occurred on 7 March 2013.

Notes to the consolidated financial statements

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
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

17. Leases

Operating leases – lessee

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

	2014 £	2013 £
Not later than one year	**127,500**	127,500
Later than one year and not later than five years	**510,000**	510,000
Later than five years	**95,625**	223,125

With effect from 14 January 2015 the Company has assigned the lease of its head office at 242 Marylebone Road, therefore the future minimum lease payments will be £nil.

18. 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:

	2014 Weighted Average exercise price	2014 Number	2013 Weighted average exercise price	2013 Number
Outstanding at beginning of the year	**14.7p**	**9,458,216**	14.8p	10,119,216
Forfeited during the year	**1.0p**	**(60,000)**	15.5p	(661,000)
Outstanding at the end of the year	**14.8p**	**9,398,216**	14.7p	9,458,216
These are made up of:				
Exercisable at the end of the year	**14.1p**	**5,190,123**	13.9p	5,250,123
Outstanding and subject to vesting conditions at the end of the year	**15.6p**	**4,208,093**	15.6p	4,208,093

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 flotation 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 2014 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 2014 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.

Total EMI share options	2014 Weighted Average exercise price	2014 Number	2013 Weighted Average exercise price	2013 Number
Outstanding at beginning and 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

18. 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 flotation price for a period of twelve months.

The number of unapproved shares exercisable, at the end of the year 30 September 2014 is 1,272,383, with a weighted average price of 21.2 pence.

The range of exercise prices of share options outstanding at 30 September 2014 are 629,166 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	**2014 Weighted Average *exercise price***	**2014 Number**	2013 Weighted Average *exercise price*	2013 Number
Outstanding at beginning of the year	**24.7p**	**3,812,831**	24.2p	4,317,831
Forfeited during the year	**—**	**—**	20.0p	(505,000)
Outstanding at the end of the year	**24.7p**	**3,812,831**	24.7p	3,812,831
These are made up of:				
Exercisable at the end of the year	**21.6p**	**1,399,405**	21.6p	1,399,405
Outstanding and subject to vesting conditions at the end of the year	**26.5p**	**2,413,426**	26.5p	2,413,426

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. To 30 September 2014 440,000 of these shares have been forfeited and 127,022 remain of the shares vested in April 2011 upon reaching financial close of the CoRDe project. 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
2,413,426	762,134	762,134	762,134	127,024

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.

The Board have taken the view that all remaining objectives cannot be delivered within the option period and made a corresponding adjustment to the share-based payment charge in this financial year.

18. 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 five 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.As at 30 September 2014 1,794,667 remain not vested. The Board have taken the view that the remaining objectives cannot be delivered within the option period for these shares to vest and made a corresponding adjustment to the share-based payment charge in this financial year.

There were 897,333 LTIPs exercisable at 30 September 2014 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	**2014 Weighted Average exercise price**	**2014 Number**	2013 Weighted Average exercise price	2013 Number
Outstanding at beginning of the year	**1.0p**	**2,752,000**	1.0p	2,908,000
Forfeited during the year	**1.0p**	**(60,000)**	1.0p	(156,000)
Outstanding at the end of the year	**1.0p**	**2,692,000**	1.0p	2,752,000
These are made up of:				
Exercisable at the end of the year	**1.0p**	**897,333**	1.0p	957,333
Outstanding and subject to vesting conditions at the end of the year	**1.0p**	**1,794,667**	1.0p	1,794,667

19. Related party transactions

Key management remuneration	**Year ended 30 September 2014 £**	Year ended 30 September 2013 £
Short-term employee benefits (excluding employers National Insurance contributions)	**736,919**	735,740
Payments into defined contribution pension schemes	**44,000**	44,000
Employers National Insurance contributions	**90,396**	90,558
Subtotal	**871,315**	870,298
Share-based payments	**(528,478)**	26,595
Total	**342,837**	896,893

In addition to the above related party transactions, revenue of £226,156 (2013: £208,755) is included in the consolidated statement of comprehensive income in relation to a management services agreement with the joint venture Helius CoRDe Limited. Amounts owing by Helius CoRDe Limited to Helius Energy plc at the 30 September 2014 were £22,979 (2013: £24,396).

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

In September 2012 the Company secured a £1,000,000 loan facility with Angus MacDonald a non-executive Director of Helius Energy plc. The Facility was subject to a one off arrangement fee of 1.5% and interest payments of 6% per annum on amounts drawn down. The Facility was available from 1st October 2012 and £500,000 was drawn down in January and February 2013. On the 7 March 2013 4,166,666 New Ordinary Shares at 12 pence per share were issued to the Director in repayment of the loan.

20. Control

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

21. Post Balance Sheet Events

In November 2014, after the reporting date, the company completed a restructuring exercise. This exercise was carried out in order to reduce costs in light of the going concern issues. On 3 November 2014, as part of the restructuring exercise, Dr Adrian Bowles and Mr Christopher Corner resigned their positions as executive directors of the company.

On 20th March 2015 the company signed an agreement to sell its shares in Helius CoRDe Limited, a joint venture investment at the reporting date. The company is expecting to receive cash of £12.3million on completion of the sale. The sale is subject to the approval of shareholders at a general meeting on 7th April 2015.

Parent company balance sheet
As at 30 September 2014

	Note	30 September 2014 £	30 September 2014 £	30 September 2013 £	30 September 2013 £
Fixed assets					
Tangible fixed assets	[2]	**7,451**		15,308	
Investments	[3]	**7,852,631**		7,852,631	
			7,860,082		7,867,939
Current assets					
Debtors due within one year	[4]	**232,825**		13,169,813	
Cash at bank		**612,613**		2,431,172	
		845,438		15,600,985	
Creditors: amounts falling due within one year	[5]	**(561,537)**		(372,312)	
Net current assets			**283,901**		15,228,673
Total assets			**8,143,983**		23,096,612
Net assets			**8,143,983**		23,096,612
Capital and reserves					
Share capital	[6]		**1,953,005**		1,828,100
Share premium	[7]		**17,347,877**		16,681,756
Capital redemption reserve	[7]		**10,130**		10,130
Retained earnings	[7]		**(11,167,029)**		4,576,626
Shareholders' funds			**8,143,983**		23,096,612

The notes on pages 39 to 42 form part of these financial statements.

The financial statements were approved and authorised by the Board of directors and authorised for issue on the 30th March 2015.

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 7.

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.

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.

Notes to the parent company financial statements

2. Tangible fixed assets

	Computer and office equipment £
Cost	
At 1 October 2013	114,612
Additions during the period	2,305
Disposals during the period	(19,648)
At 30 September 2014	**97,269**
Accumulated depreciation	
At 1 October 2013	99,304
Depreciation charge for the year	10,162
Disposals during the period	(19,648)
At 30 September 2014	**89,818**
Net book value	
At 30 September 2014	**7,451**
At 30 September 2013	15,308

3. Fixed asset investments

	Investments in subsidiaries £	Investments in Joint Ventures £
Cost		
At 1 October 2013	12,100,000	7,852,631
Dissolved during the period	(12,100,000)	—
At 30 September 2014	—	**7,852,631**
Provision for impairment		
At 1 October 2013	12,100,000	—
Dissolved during the period	(12,100,000)	—
At 30 September 2014	—	—
Net book value		
At 30 September 2014	—	**7,852,631**
At 30 September 2013	—	7,852,631

The principal shareholdings of the Company are as follows:

Name	Country of incorporation	Subsidiary shareholding as at 30 September 2014	Joint Venture shareholding as at 30 September 2014
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	-	-
Helius Power Limited	United Kingdom	-	-

Helius Power Limited was dissolved on 29 July 2014.

Liverpool Biomass Power Limited was dissolved on 12 August 2014.

Notes to the parent company financial statements

4. Debtors due in < 1 year

	2014	2013
	£	£
Prepayments and other debtors	**232,825**	1,053,352
Amounts owed by Group undertakings	**-**	12,116,461
	232,825	13,169,813

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

Impairment of Intercompany debtors	2014
	£
Southampton Biomass Power Limited	3,999,041
Helius Energy Gamma Limited	9,428,423
	13,427,464

The intercompany debtors with Helius Energy Gamma Limited and Southampton Biomass Power Limited have been fully impaired at 30 September 2014.

5. Creditors: amounts falling due within one year

	2014	2013
	£	£
Trade creditors	**90,212**	88,023
Other taxes and social security	**47,869**	52,145
Accruals and other creditors	**423,456**	232,144
	561,537	372,312

In September 2012 the Company secured a £1,000,000 loan facility with Angus MacDonald a non-executive Director of Helius Energy plc. The Facility was subject to a one off arrangement fee of 1.5% and interest payments of 6% per annum on amounts drawn down. The Facility was available from 1st October 2012 and £500,000 was drawn down in January and February 2013.On the 7 March 2013 4,166,666 New Ordinary Shares at 12 pence per share were issued to the Director in repayment of the loan.

6. Share capital

	Issued and fully paid	
	2014	2014
	Number	£
Ordinary shares of £0.01 each		
At 1 October 2013	**182,809,982**	**1,828,100**
Share issues	**12,490,486**	**124,905**
At 30 September 2014	**195,300,468**	**1,953,005**

	Issued and fully paid	
	2013	2013
	Number	£
Ordinary shares of £0.01 each		
At 1 October 2012	132,853,633	1,328,537
Share issues	49,956,349	499,563
At 30 September 2013	182,809,982	1,828,100

Notes to the parent company financial statements

On the 1 September 2014 the Directors raised £0.9 million of additional funding by alloting shares in the Company within the pre-emption limits permitted by a resolution passed in the General meeting on 28 March 2014.The new Ordinary Shares were alloted at 7 pence per share.

At a General meeting on 6 March 2013 a resolution was passed to raise approximately £6.0 million (gross), £5.6m (net) by way of a firm placing and open offer of New Ordinary Shares at 12 pence per share. Admission of the 49,956,349 new ordinary shares to trading on AIM occurred on 7 March 2013.

7. Reserves

	Share Premium	Capital Redemption Reserve	Retained Earnings	Total
		£	£	£
At 1 October 2013	16,681,756	10,130	4,576,626	21,268,512
Loss for year	—	—	(15,114,515)	(15,114,515)
Share issue	666,121	—	—	666,121
Share-based payments	—	—	(629,140)	(629,140)
At 30 September 2014	**17,347,877**	**10,130**	**(11,167,029)**	**6,190,978**

8. Leases

Operating leases – lessee

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

	2014	2013
	£	£
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

With effect from 14 January 2015 the Company has assigned the lease of its head office at 242 Marylebone Road, therefore the future minimum lease payments will be nil.

9. Share-based payments

See note 18 in consolidated notes to financial statements.

10. Related party transactions

See note 19 in consolidated notes to financial statements.

Advisers and general information

Country of incorporation
England & Wales

Legal form
Public limited company

Directors

John Seed	(Chairman)
Alan Lyons	(Chief Financial Officer)
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
William J Ingram Hill

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