

Black Hill Wind Farm Limited

Report and Accounts

31 October 2009

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**Registered in England and Wales
No 4493876**

Black Hill Wind Farm Limited
Directors' Report
For the year ended 31 October 2009

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 October 2009

Principal activities

The principal activity of the business is the generation and sale of wind generated electricity and associated benefits. The directors do not anticipate any changes to the business activities in the forthcoming year.

Business review

The company made a profit for the year of £2,309,000 (2008 £1,238,000), which has been added to the profit brought forward of £466,000 to give a profit to carry forward of £2,775,000.

The principal risks and uncertainties of the business relate to the level of wind arising at the site during the period. Turnover has increased by 4% from the prior year, mainly due to higher prices received for the sale of electricity. Gross profit has decreased by 1% from the prior year due to a 15% increase in cost of sales.

Dividends

The directors do not recommend the payment of a dividend (2008 £nil).

Directors and secretary

The directors who have held office throughout the year and remain in office, except where noted, are as follows:

S J T Balint - resigned 25 June 2009
W D Wright - resigned 25 June 2009
J K Rhodes
P R Walker
G A MacDougall - appointed 25 June 2009

D Hearth served as company secretary throughout the year and remains in office.

Directors' interests

The directors serving at the year end had no interests in the shares of the company or other group companies during the year, or prior year.

Black Hill Wind Farm Limited
Directors' Report (continued)
For the year ended 31 October 2009

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- 2 the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

This report was approved by the Board and signed on 25 March 2010



G A MacDougall
Director
25 March 2010

Black Hill Wind Farm Limited
Statement of Directors' Responsibilities
For the year ended 31 October 2009

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

Black Hill Wind Farm Limited

Independent auditors' report to the member of Black Hill Wind Farm Limited

We have audited the financial statements of Black Hill Wind Farm Limited for the year ended 31 October 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Black Hill Wind Farm Limited

Independent auditors' report to the member of Black Hill Wind Farm Limited (continued)

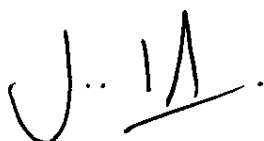
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- 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



James Leigh (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
25 March 2010

Black Hill Wind Farm Limited
Profit and Loss Account
For the year ended 31 October 2009


| | Notes | 2009 £000 | 2008 £000 |
|--|--------------|----------------------|----------------------|
| Turnover | 1 | 7,213 | 6,908 |
| Cost of sales | | (2,712) | (2,361) |
| Gross profit | | <u>4,501</u> | <u>4,547</u> |
| Administrative expenses | | (5) | (5) |
| Other operating income - insurance proceeds | | - | 8 |
| Operating profit | 3 | <u>4,496</u> | <u>4,550</u> |
| Interest receivable and similar income | | - | 2 |
| Interest payable and similar charges | 5 | (1,299) | (2,830) |
| Profit on ordinary activities before taxation | | <u>3,197</u> | <u>1,722</u> |
| Tax charge on profit on ordinary activities | 6 | (888) | (484) |
| Profit for the financial year | | <u><u>2,309</u></u> | <u><u>1,238</u></u> |

There were no recognised gains or losses (2008 £nil) other than the profit for the year and therefore no statement of total recognised gains and losses is given

Black Hill Wind Farm Limited
Balance Sheet
as at 31 October 2009

| | Notes | 2009 £000 | 2009 £000 | 2008 £000 | 2008 £000 |
|--|-------|-----------------|---------------------|-----------------|-------------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 26,376 | | 27,905 |
| Current assets | | | | | |
| Debtors | 8 | 1,343 | | 2,058 | |
| Cash at bank and in hand | | 588 | | 1,764 | |
| | | <u>1,931</u> | | <u>3,822</u> | |
| Creditors amounts falling due within one year | 9 | <u>(22,505)</u> | | <u>(28,882)</u> | |
| Net current liabilities | | | (20,574) | | (25,060) |
| Total assets less current liabilities | | | <u>5,802</u> | | <u>2,845</u> |
| Provision for liabilities and charges | 11 | | (3,027) | | (2,379) |
| Net assets | | | <u><u>2,775</u></u> | | <u><u>466</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | - | | - |
| Profit and loss account | | | 2,775 | | 466 |
| Shareholder's funds | 13 | | <u><u>2,775</u></u> | | <u><u>466</u></u> |

The financial statements of Black Hill Wind Farm Limited (registered number 4493876) were approved by the board of directors and authorised for issue on 25 March 2010. They were signed on its behalf by



G A MacDougall
 Director
 25 March 2010

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover represents electricity and associated benefits sold during the year. Sales are recognised at the time that the electricity is generated. All amounts arise in the UK and are stated net of value added tax.

Fixed assets

Tangible fixed assets are stated at cost less depreciation less any provision for impairment in value. Depreciation is charged from the date of commissioning when the wind farm commences commercial operation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery - 5% per annum

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Decommissioning Costs

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to plant and equipment. The unwinding of the discount on the decommissioning is included as a finance cost.

Operating leases

Costs relating to operating leases are charged to the profit and loss account as incurred.

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

1 Accounting policies (continued)

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 Cash Flow Statements - because it is a wholly-owned subsidiary of RES Wind Farm Holdings Limited whose ultimate parent, Renewable Energy Systems Holdings Limited prepares consolidated accounts which include a cash flow statement and are publicly available

2 Going Concern

The company's ability to continue as a going concern is assessed in conjunction with the ability of the RES Wind Farm Holdings Limited group's (the "group's") ability to continue as a going concern. The group has confirmed to the directors that it will not demand repayment for existing intercompany loans such that insolvency would result, for a period of at least twelve months from the date of signing of the Annual Report and Accounts

The directors have considered the group's cash flow forecast for the period to the end of April 2011. The directors of the company are satisfied after appropriate consultation with the directors of the group, and review of forecasts and projections, and taking account of reasonable possible changes in trading performance and the current funds available, that the company is able to operate for at least twelve months from the signing of the Annual Report and Accounts. For this reason the directors believe that the company has adequate resources to continue in operational existence and therefore it is appropriate that the company continues to adopt the going concern basis in preparing the Annual Report and Accounts

| | | |
|---------------------------|-------------|-------------|
| 3 Operating profit | 2009 | 2008 |
| | £000 | £000 |

The operating profit is stated after charging

| | | |
|---|------------|------------|
| Depreciation | 1,529 | 1,529 |
| Fees payable to the company's auditors for the audit of the company's annual accounts | 5 | 5 |
| Operating leases land and buildings (see note 14) | 191 | 147 |
| | <u>191</u> | <u>147</u> |

4 Directors and employees

None of the directors received any remuneration during the year in respect of their services to the company (2008 £nil). The company had no employees during the year (2008 none)

| | | |
|---|-------------|-------------|
| 5 Interest payable and similar charges | 2009 | 2008 |
| | £000 | £000 |

| | | |
|--|--------------|--------------|
| Interest payable to group undertakings | 1,280 | 2,813 |
| Unwinding of discount on decommissioning provision | 19 | 17 |
| | <u>1,299</u> | <u>2,830</u> |

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

| | | |
|--|---------------------|---------------------|
| 6 Tax on profit on ordinary activities | 2009 | 2008 |
| | £000 | £000 |
| Analysis of tax charge | | |
| Current tax | | |
| UK corporation tax for the year at 28% (2008 28 83%) | (259) | 587 |
| Total current tax | <u>(259)</u> | <u>587</u> |
| Deferred Tax | | |
| Origination and reversal of timing differences | (629) | (1,093) |
| Prior year adjustments | - | (10) |
| Effect of changes in tax rate | - | 32 |
| Total deferred tax | <u>(629)</u> | <u>(1,071)</u> |
| Tax charge on profit on ordinary activities | <u><u>(888)</u></u> | <u><u>(484)</u></u> |
| | | |
| | 2009 | 2008 |
| | £000 | £000 |
| Factors affecting the tax charge / (credit) for the year | | |
| Profit on ordinary activities before tax | <u>3,197</u> | <u>1,722</u> |
| Tax at 28% (2008 28 83%) | 895 | 497 |
| Effects of | | |
| Expenses not deductible for tax purposes | 14 | 10 |
| Capital allowances in excess of depreciation | (634) | (1,099) |
| Short term timing differences | 5 | 5 |
| Group relief not paid for | (20) | - |
| Current tax charge / (credit) for the year | <u><u>260</u></u> | <u><u>(587)</u></u> |

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

| 7 Tangible fixed assets | Plant and machinery £000 | |
|---|-------------------------------------|----------------------|
| Cost At 1 November 2008 and at 31 October 2009 | 30,574 | |
| Depreciation At 1 November 2008 Charge for the year At 31 October 2009 | 2,669 | 1,529 |
| | 4,198 | |
| Net book value At 31 October 2009 | 26,376 | |
| At 31 October 2008 | 27,905 | |
| 8 Debtors amounts falling due within one year | 2009 £000 | 2008 £000 |
| Amounts owed by group undertakings | - | 587 |
| Prepayments and accrued income | 1,343 | 1,471 |
| | 1,343 | |
| | 2,058 | |
| 9 Creditors amounts falling due within one year | 2009 £000 | 2008 £000 |
| Trade creditors | 33 | 40 |
| Amounts owed to group undertakings | 21,707 | 28,448 |
| Accruals and deferred income | 167 | 51 |
| Value Added Tax | 339 | 343 |
| Corporation Tax | 259 | - |
| | 22,505 | |
| | 28,882 | |

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

10 Other commitments

During 2005 the company's immediate parent, RES Wind Farm Holdings Limited, took out a bank loan to refinance its operating wind farm portfolio. The assets of Black Hill Wind Farm Limited form part of the security for the new bank loan to RES Wind Farm Holdings Limited via fixed and floating charges.

| 11 Provision for liabilities and charges | Decommissioning Costs £000 | Deferred Taxation £000 | Total £000 |
|---|---|---------------------------------------|-----------------------|
| At beginning of year | 192 | 2,187 | 2,379 |
| Charged to the profit and loss account | 19 | 629 | 648 |
| At the end of the year | <u>211</u> | <u>2,816</u> | <u>3,027</u> |

The decommissioning provision provides for the future costs of decommissioning the wind farm. The provision has been discounted at an annual rate of 10% and this discount will be unwound and charged to the profit and loss account until 2027, the estimated date of decommissioning.

| | 2009 £000 | 2008 £000 |
|---|----------------------|----------------------|
| Analysis of deferred taxation balance | | |
| Accelerated capital allowances | 2,826 | 2,192 |
| Short term timing differences | (10) | (5) |
| | <u>2,816</u> | <u>2,187</u> |
| 12 Called up share capital | 2009 £ | 2008 £ |
| Authorised | | |
| 1,000,000 (2008 1,000,000) ordinary shares of £1 | <u>1,000,000</u> | <u>1,000,000</u> |
| Called up, allotted and fully paid. | | |
| 1 (2008 1) ordinary share of £1 | <u>1</u> | <u>1</u> |
| 13 Reconciliation of movements in equity shareholder's funds | 2009 £000 | 2008 £000 |
| Opening shareholder's funds / (deficit) | 466 | (772) |
| Profit for the year | 2,309 | 1,238 |
| Closing shareholder's funds | <u>2,775</u> | <u>466</u> |

Black Hill Wind Farm Limited
Notes to the Accounts
For the year ended 31 October 2009

14 Operating lease commitments

The company has entered into lease agreements with the landowners on which the windfarm is situated to pay rent equal to the higher of

- £2,500 p a per MW of installed capacity (indexed with RPI), or,
- Current year generation (MWh's) x £1.30 (indexed with RPI), or,
- 2.75% of last year gross income until October 2016, then 6% thereafter

15 Related party transactions

The company is a wholly-owned subsidiary of Renewable Energy Systems Holdings Limited and has taken advantage of the exemption which is conferred by Financial Reporting Standard 8 "Related Party Disclosures" that allows it not to disclose transactions with group undertakings

16 Ultimate controlling party

The immediate parent company is RES Wind Farm Holdings Limited. The ultimate parent company is Renewable Energy Systems Holdings Limited, which is incorporated in Great Britain and registered in England and Wales and is the largest group company for which consolidated accounts are prepared. Copies of the group accounts are publicly available and can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate controlling party of the company is The McAlpine Partnership Trust