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VIA ELECTRONIC FILING & COURIER

February 6, 2013

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DIRECT 416 863 4471

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: RES Canada Transmission LP;
East-West Tie Line Designation Application;
Confidential Information;
Ontario Energy Board File No. EB-2011-0140**

We represent RES Canada Transmission LP ("**RES**") in this proceeding. By letter dated January 4, 2013, RES requested that certain information in its Application for Designation, including the financial statements of Renewable Energy Systems Holdings Limited ("**Financial Statements**"), be received in confidence. By Decision and Order dated January 23, 2013, the Board accepted RES's request in respect of the Financial Statements.

By letter dated January 28, 2013, counsel for EWT L.P. noted that the Financial Statements are publicly available through the Companies House website in the United Kingdom. We were previously unaware that the public could receive access to the Financial Statements in this manner.

In light of the above, RES withdraws its request of January 4, 2013 that the Financial Statements be held in confidence. In so doing, RES accepts that the Financial Statements will be placed on the public record of this proceeding. For ease of reference, we are attaching, hereto a copy of the Financial Statements

Yours truly,

(SIGNED) HELEN T. NEWLAND

HTN/ko

Encls.

c.c. All Registered Transmitters
All Intervenors
Mr. Jerry Vaninetti
Mr. Darrell Gerrard
Ms. Jennifer Lea

Financial Statements

Renewable Energy Systems Holdings Limited

Annual Report and Financial Statements

31 October 2011

**Registered in England and Wales
No. 4913497**

Renewable Energy Systems Holdings Limited
Report and Financial Statements for the year ended 31 October 2011
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Renewable Energy Systems Holdings Limited
Company Information

Directors

C McAlpine
G M McAlpine BA (Hons) MSc
I D Mays MBE, BSc PhD
S Reilly
D Joyce CA (appointed 7 December 2010)
M C Shelley ACA
D S Jenkins FCA

Chairman
Managing Partner
Chief Executive Officer
Chief Executive Officer, RES Americas Inc.
Chief Financial Officer
Non-executive Director
Non-executive Director

Secretary

D Hearth LLB

Independent auditor

Deloitte LLP
Chartered Accountants
London

Registered office

Beaufort Court
Egg Farm Lane
Kings Langley
Hertfordshire
WD4 8LR

Registered number

4913497

Renewable Energy Systems Holdings Limited
Directors' Report
For the year ended 31 October 2011

The Directors present their report and audited financial statements for the year ended 31 October 2011 for the Renewable Energy Systems Holdings Limited Group ("the Group").

Principal activities

The principal activities of the Group are the development, construction and sale of renewable energy projects and associated infrastructure in both the UK and international markets, and the production and sale of electricity from projects where ownership has been retained.

Financial overview

The Group made a Group operating profit for the year of £77.7 million (2010: £59.6 million) on turnover of £748.9 million (2010: £729.5 million). Profit before tax totalled £37.6 million (2010: profit of £31.8 million).

The Group's operating margin was 10% (2010: 8%) reflecting continuing strong development, construction and generation margins in the Group's core markets. The operating margin was impacted by a £3.0 million (2010: £20.1 million) net impairment charge on the Group's operating assets in the USA as a result of temporary curtailment suffered in Texas, pending an upgrade to the transmission network. The prior year impairment charge reflected a change in the way the future value of these wind farms have been estimated. The Group also incurred an exceptional loss of £11.7 million in the year, resulting from changes to assumptions regarding future tax equity servicing costs.

Cash balances remain strong, and at 31 October 2011 totalled £113.3 million (2010: £115.7 million). The Group has total bank and related party loans of £485.9 million (2010: £484.8 million) of which 91% (2010: 89%) are non-recourse long term project finance debt.

Net assets at 31 October 2011 totalled £168.9 million (2010: £138.9 million).

Directors' valuation of the Group's operating wind farm portfolio

The Group's operating wind farm portfolio which covers 27 operating wind farms in the UK, Ireland, France, Sweden, Canada and the USA, is carried at a net asset value of £45.0 million (2010: £35.3 million). At 31 October 2011 the Directors' valuation was £291.9 million (2010: £337.6 million), which includes operating assets under construction.

For the above valuation, a discounted cash flow method has been used to value the portfolio whereby the future equity cash flows attributable to Renewable Energy Systems Holdings Limited as a shareholder are discounted applying a blended post-tax nominal discount rate to produce a net present value. The calculations underpinning the valuation have been independently reviewed as at 31 October 2011 to ensure that the valuation has been carried out accurately in accordance with the methodology. However, the detailed financial models have not been audited.

The Group continues to invest in the development of projects around the world, enhancing its existing asset base.

Renewable Energy Systems Holdings Limited
Directors' Report (continued)
For the year ended 31 October 2011

Business review

The Group continues to focus resource on markets where substantial renewable energy growth is expected, primarily in Europe and North America and is investing in new markets in line with the Group's strategic plan.

The Group monitors a number of financial and non-financial Key Performance Indicators (KPIs) which include, but are not limited to, health and safety performance, megawatts (MWs) of wind and solar PV assets constructed, annual valuation of the operating portfolio of assets, turnover and profit before tax. Further detail is provided in the preceding and following paragraphs within the directors' report, and in the segmental analysis in note 2.

The Group constructed projects totalling 928 MWs in the year ended 31 October 2011, of which 55 MWs were constructed in relation to projects which have been retained within the Group. These construction MWs are calculated on a percentage completion basis. No development or construction profits are recognised in the year in respect of projects retained within the Group, profits realised during construction are spread across the life of the project once the projects are energised.

The following commentary summarises highlights of the year in the Group's core markets.

North America

Construction activity in the USA was again very strong, despite increasing market competition for third party construction. The Group commenced construction of what was at the time, the largest ground-mounted Solar Photovoltaic (PV) project in North America (35 MW).

In Ontario, Canada, the Group sold its 10% interest in a wind energy project totalling 99 MW and also sold its minority interest in seven jointly owned development projects, totalling 1,003 MW in Quebec.

Europe

In the United Kingdom, the Group sold one operational wind farm and two fully consented development projects, one of which is currently being constructed under an Engineer, Procure and Construct (EPC) agreement on behalf of the new owner. Construction continued on two wind farms totalling 76 MW to be retained within the Group.

In France, despite delays in the consenting process, the Group continues to invest in development sites expected to yield significant construction activity in 2012 and beyond. Construction was completed on the Group's first ground mounted solar PV project, which was retained by the Group.

In Sweden both development and construction activity were again strong, with the sale of a 41 MW consented development site.

In Turkey, the Group secured its first Generating Licence and sold its first project totalling 50 MW.

Offshore

The Group undertakes project development, engineering, construction, operation and maintenance services to the offshore wind and marine energy industries. Projects in which the Group has been involved during the year included the Inner Dowsing, Lynn and Lincs wind farms off the East coast of England and development work continued on behalf of a major client on the 4 GW Irish Sea zone. The Group is actively engaged in new offshore wind opportunities in both Europe and North America.

Generation

The Group owns a portfolio of 27 operational wind farms in the UK, Ireland, France, Sweden, Canada and the USA, which collectively total 464 turbines, as well as a PV project in France. The results of the operating wind farm portfolio were below expectations during the year due to poor wind conditions across the portfolio. However, wind conditions have been very strong in the period following the year end, significantly exceeding budget.

Renewable Energy Systems Holdings Limited
Directors' Report (continued)
For the year ended 31 October 2011

Principal trading risks

The Directors believe the principal risks and uncertainties facing the Group arise from the unpredictable duration of local planning processes necessary to build-out wind farm development sites and the uncertainty associated with potential changes to national renewable energy incentive schemes.

Variability of Wind

The Group's revenues are impacted by inherent variability in local wind conditions from year-to-year. In the medium and longer term, wind conditions are expected to closely match statistical trends based on historic data utilised in the project feasibility studies in the early development phase.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including currency, interest, credit, liquidity and price risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivatives for speculative purposes.

(i) Currency risk

Exposure to foreign currency movements from operating activities are hedged through the use of forward foreign exchange contracts.

(ii) Interest risk

The Group's policy is to actively manage interest rate risk on long-term borrowings. This is achieved by using interest rate swaps which are both fixed and floating in nature.

(iii) Credit risk

The Group's policy is to limit counterparty exposures by setting credit limits and monitoring credit ratings.

(iv) Liquidity risk

Cash forecasts identifying the liquidity requirements of the Group are produced monthly. These are reviewed by the board to ensure that sufficient financial facilities will be available for at least the following twelve month period.

Having reviewed the latest projections, the directors consider it appropriate to adopt the going concern basis of accounting.

(v) Price risk

The Group enters into long-term Power Purchase Agreements for its operating wind farms. Turbine supply contracts are typically executed at project financial close, prior to which project profitability is assessed by the Group's risk management processes.

Dividends

The directors do not recommend the payment of a dividend (2010: £nil).

Charitable and political donations

During the year the Group made charitable donations totalling £92,000 (2010: £85,000). During the year the Group made political donations of £nil (2010: nil).

Directors

The directors who have held office throughout the year, and those that have been appointed in the year, are as follows:

C McAlpine (*Chairman*)

G M McAlpine

I D Mays

M C Shelley

D S Jenkins

S Reilly

D Joyce (appointed 7 December 2010)

Directors indemnities

The Company has made no qualifying third party indemnity provisions for the benefit of its directors.

Renewable Energy Systems Holdings Limited
Directors' Report (continued)
For the year ended 31 October 2011

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The financial position of the Group is set out in the Consolidated Balance Sheet and the accompanying notes to the financial statements. The Group's cash and borrowings positions are set out in the Directors' Report and notes 17, 18, 19 and 24 to the financial statements. A description of the Group's financial risks is also set out in the Directors' report.

At the year end the Group had cash of £113.3 million (2010: £115.7 million). In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term limited recourse borrowings and a long-term working capital loan provided by a related party. As a consequence, the directors believe that the Group will be able to manage its business risks successfully.

Cash forecasts identifying the liquidity requirements of the Group are produced regularly. These are reviewed by the board to ensure that sufficient financial facilities are available for at least the following twelve month period.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disabled employees

In dealing with disabled persons, the Group acts in accordance with its Equal Opportunity and Diversity policy, which specifies that employees with disabilities will receive fair treatment and be considered according to their ability to do the job, following reasonable adjustments where appropriate. Decisions on recruitment, selection, training, promotion and career management are based on objective and job-related criteria.

Employee consultation

Information affecting Group employees is communicated using a combination of methods including self-service intranet, email, team meetings and individual consultation.

A Group-wide bonus scheme is in operation to enable employees to share in the success of the Group and to recognise their efforts in contributing to that success.

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 auditor is unaware; and
- 2) the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is 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 the company's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



I D Mays
Chief Executive Officer
1 March 2012

Renewable Energy Systems Holdings Limited
Statement of Directors' Responsibilities
For the year ended 31 October 2011

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 applicable UK Accounting Standards have been followed, 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 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.

Independent auditor's report

To the member of Renewable Energy Systems Holdings Limited

We have audited the financial statements of Renewable Energy Systems Holdings Limited Group ("the Group") for the year ended 31 October 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 32. 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 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Group's and the parent 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2011 and of the Group's 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Andrew Clark (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 March 2012

Renewable Energy Systems Holdings Limited
Consolidated Profit and Loss Account
For the year ended 31 October 2011

	Notes	2011 £'000	2010 £'000
Turnover: Group and share of joint venture		749,273	729,734
Less: Share of joint venture		(365)	(267)
Turnover	2	748,908	729,467
Cost of sales		(619,699)	(603,992)
Impairment of operating assets	10	(3,060)	(20,050)
Total cost of sales		(622,759)	(624,042)
Gross profit		126,149	105,425
Administrative expenses		(48,466)	(45,840)
Group operating profit	7	77,683	59,585
Share of operating (loss) / profit in associates	3	(934)	3,271
Share of operating loss in joint ventures	4	(68)	(149)
Total operating profit		76,681	62,707
Loss on disposal of fixed assets and investments		-	(1,536)
Investment income and interest receivable			
Group	5	2,612	1,915
Associates		99	4
Interest payable and similar charges			
Group	6	(30,034)	(30,013)
Associates		(96)	(1,062)
Joint Ventures		-	(187)
Exceptional adjustment to tax equity debt	10	(11,701)	-
Profit on ordinary activities before taxation		37,561	31,828
Tax on profit on ordinary activities	9	(6,278)	(14,681)
Profit on ordinary activities after taxation		31,283	17,147
Equity minority interests		-	(429)
Profit for the financial year	22	31,283	16,718

All transactions are derived from continuing operations.

Renewable Energy Systems Holdings Limited
Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 October 2011

	2011 £'000	2010 £'000
Profit for the financial year	31,283	16,718
Currency translation differences on foreign currency net investment	(641)	1,504
Total consolidated recognised gains relating to the year	<u>30,642</u>	<u>18,222</u>

Renewable Energy Systems Holdings Limited
Consolidated Balance Sheet
As at 31 October 2011

	Notes	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Intangible assets - goodwill	11		11,724		14,234
Tangible assets	12		548,004		551,759
Associates	13		3,580		3,007
Joint ventures:	13				
Share of gross assets		99		193	
Share of gross liabilities		-		(26)	
			99		167
Other investments	13		15,955		21,236
			<u>579,362</u>		<u>590,403</u>
Current assets					
Stocks and work in progress	14	36,895		32,807	
Debtors					
- due within one year	15	129,484		177,504	
- due after one year	15	8,657		3,497	
Cash at bank and in hand	17	113,270		115,746	
			<u>288,306</u>	<u>329,554</u>	
Creditors: amounts falling due within one year	18		<u>(223,905)</u>	<u>(306,307)</u>	
Net current assets			64,401		23,247
Total assets less current liabilities			<u>643,763</u>	<u>613,650</u>	
Creditors: amounts falling due after more than one year	19		(447,634)		(439,230)
Provision for liabilities and charges	20		(27,234)		(35,537)
Net assets	2		<u><u>168,895</u></u>		<u><u>138,883</u></u>
Capital and reserves					
Called up share capital	21		60,000		60,000
Merger reserve	22		9,584		9,584
Other reserves	22		(2,529)		(1,888)
Profit and loss account	22		101,840		70,557
Shareholder's funds	23		<u>168,895</u>		<u>138,253</u>
Minority interests			-		630
Total capital and reserves			<u><u>168,895</u></u>		<u><u>138,883</u></u>

The financial statements of Renewable Energy Systems Holdings Limited Group (registered number 4913497) were approved by the Board of Directors and authorised for issue on 1 March 2012, and were signed on its behalf by:


I D Mays
Director
1 March 2012

Renewable Energy Systems Holdings Limited
Company Balance Sheet
As at 31 October 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	13	49,691	42,801
Current assets			
Debtors	15	4,323	20,220
Creditors: amounts falling due within one year	18	-	-
Net current assets		4,323	20,220
Total assets less current liabilities		<u>54,014</u>	<u>63,021</u>
Capital and reserves			
Called up share capital	21	60,000	60,000
Profit and loss account	22	(5,986)	3,021
Total Shareholder's Funds	23	<u>54,014</u>	<u>63,021</u>

The financial statements of Renewable Energy Systems Holdings Limited (registered number 4913497) were approved by the Board of Directors and authorised for issue on 1 March 2012, and were signed on its behalf by:



I D Mays
 Director
 1 March 2012

Renewable Energy Systems Holdings Limited
Consolidated Cash Flow Statement
For the year ended 31 October 2011

	2011 £'000	2010 £'000
Net cash inflow from Group operating activities	61,514	102,052
Returns on investments and servicing of finance	(24,886)	(29,010)
Taxation	(2,264)	2,379
Capital expenditure and financial investment	(40,546)	(81,556)
Acquisitions and disposals	-	(883)
	<hr/>	<hr/>
Cash outflow before management of liquid resources and financing	(6,182)	(7,018)
Financing	3,522	(25,395)
	<hr/>	<hr/>
Decrease in cash in the year	<u>(2,660)</u>	<u>(32,413)</u>
 Reconciliation of Group operating profit to Group operating cash flows		
Group operating profit	77,683	59,585
Depreciation and impairment charges	36,703	53,856
Amortisation and impairment charges	2,537	2,121
Decommissioning provisions	1,344	327
Increase in stocks	(4,088)	(8,853)
Decrease/(increase) in debtors	45,025	(57,948)
(Decrease)/increase in creditors	(79,911)	52,964
Less: profit on disposal of fixed asset	(17,779)	-
	<hr/>	<hr/>
Net cash inflow from Group operating activities	<u>61,514</u>	<u>102,052</u>
 Reconciliation of net cash flow to movement in net funds		
Decrease in cash in the year	(2,660)	(32,413)
Cash flow from changes in debt	(3,522)	25,395
	<hr/>	<hr/>
Changes in net debt resulting from cash flows	(6,182)	(7,018)
Exchange movements	2,590	6,657
	<hr/>	<hr/>
Movement in net funds in the year	(3,592)	(361)
Net debt at the start of the year	(369,036)	(368,675)
	<hr/>	<hr/>
Net debt at the end of the year	<u>(372,628)</u>	<u>(369,036)</u>

The analysis of cash flow headings show above including the analysis of net debt is shown in note 26.

1 Accounting policies

The financial statements have been prepared on a consistent basis for the current and preceding years in accordance with applicable United Kingdom laws and accounting standards. The particular accounting policies adopted by the directors are described below and have been applied consistently throughout the year and the preceding year, except as noted.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries at 31 October 2011 and their results for the year ended on that date.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is five to twenty years based on expected lives of the related business and assets. Provision is made for any impairment.

Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. The translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into Sterling at the closing rate of exchange for the balance sheet and average rate of exchange for the year for profit and loss balances. Any differences arising there from are taken directly to reserves. The differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken directly to reserves.

Turnover

Turnover represents the value of work carried out to date for the development, construction and operation of wind farms and related activities.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs, as contracts progress. Turnover is calculated by reference to the value of work performed to date, as a proportion of the total contract value. Provision is made for the full amount of foreseeable losses on contracts.

The Group funds various US windfarms with US tax equity funding arrangements. Under UK GAAP the Group retains control of these wind farms and the results are fully consolidated into the Group. Turnover therefore includes the sale of Production Tax Credits and Capital Allowances to tax equity funders.

Tangible fixed assets

All tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Wind and solar PV farm tangible fixed assets which are to be retained by the Group are capitalised incrementally throughout the construction phase and depreciated from the point when the assets are first energised.

Depreciation

Fixed assets other than freehold land are depreciated over their useful economic lives on a straight-line basis at the following rates per annum:

Wind and solar PV farms	5%
Freehold buildings	2%
Short leasehold land and buildings	20%
Fixtures and fittings	20%
Other plant and equipment	20% to 33%

Government grants

Government grants received as contributions towards expenditure on fixed assets are treated as deferred income and credited to the profit and loss account over the expected useful economic life of the asset.

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account over the life of the lease.

Operating lease rentals for land on which the Group's wind farms are situated are charged to the profit and loss account at a contractual percentage of revenue generated by the wind farm.

Other operating lease rentals are charged to the profit and loss account in equal amounts over the life of the lease.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Associates and joint ventures

In the Group financial statements investments in associates and joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profit less losses while the Group's share of net assets of the associates and joint ventures is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the policy set out above. Unamortised goodwill is included in the carrying value of the investment in associates and joint ventures respectively.

Amounts recoverable on contracts

Amounts recoverable on long-term contracts which are stated within debtors, are stated at the net sales value of work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Stocks

Work in progress is valued at the lower of cost and net realisable value.

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover.

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 rates and tax law. 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.

As noted above, the Group funds various US wind farms with US tax equity funding arrangements and the consolidated results of the wind farms are reflected in the Group financial statements. For this reason, all of the tax benefits arising from the windfarms, including production tax credits and capital allowances, are dealt with in the Group financial statements as they are earned. Where such benefits are passed on to the tax equity funders, these benefits reduce the amount due to these funders.

Long-term incentive plans

The Group operates a number of long-term incentive schemes for senior employees. Cash payments are made over time based on increases in the value of Group companies. The charges under these schemes are allocated to the relevant accounting periods in which the Group benefits from the services of the employee concerned. This varies depending on the award dates, the vesting dates and the conditions imposed on continuing employment with the Group.

Retirement benefits

The company's subsidiaries, Renewable Energy Systems Limited and Renewable Energy Systems UK & Ireland Limited are members of the defined benefits section of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme. As the assets and liabilities of the scheme are not separately identifiable between member companies of the scheme, the Group accounts for the charges in respect of the scheme as if it were a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Decommissioning costs

Provisions for decommissioning are recognised in full when the related facilities are constructed. 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.

1 Accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Loan issue costs

Costs relating to the issue of bank loans are netted against the carrying amount of debt and amortised over the estimated life of the loan, being charged to the profit and loss account as part of interest payable and similar charges.

Interest during construction

Interest during construction is expensed as incurred.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The financial position of the Group is set out in the Consolidated Balance Sheet and the accompanying notes to the financial statements. The Group's cash and borrowings positions are set out in the Directors' Report and notes 17, 18, 19 and 24 to the financial statements. A description of the Group's financial risks is also set out in the Directors' report.

At the year end the Group had cash of £113.3 million (2010: £115.7 million). In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term limited recourse borrowings and a long-term working capital loan provided by a related party. As a consequence, the directors believe that the Group will be able to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

2 Segmental analysis

By class of business:

	Turnover		Group operating profit/(loss)		Net assets/(liabilities)	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Development and construction of wind farms	637,965	613,933	44,413	33,016	137,794	118,126
Production and sale of electricity	94,776	105,188	33,974	30,186	47,199	35,335
Consultancy and other renewables	16,167	10,346	(704)	(3,617)	(16,098)	(14,578)
	<u>748,908</u>	<u>729,467</u>	<u>77,683</u>	<u>59,585</u>	<u>168,895</u>	<u>138,883</u>

By geographical area of origin:

	Turnover		Group operating profit/(loss)		Net assets/(liabilities)	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
UK	76,306	58,990	16,757	(12,341)	39,259	28,495
Rest of Europe	132,374	206,947	14,792	19,027	42,075	31,266
North America	540,228	463,530	48,830	57,152	104,452	93,894
Australasia	-	-	(2,696)	(4,253)	(16,891)	(14,772)
	<u>748,908</u>	<u>729,467</u>	<u>77,683</u>	<u>59,585</u>	<u>168,895</u>	<u>138,883</u>

Turnover by destination is not materially different from turnover by origin.

3 Share of operating (loss)/profit in associates

2011
£'000

2010
£'000

Group share of operating (loss)/profit

(934)

3,271

4 Share of operating loss in joint ventures

2011
£'000

2010
£'000

Group share of operating loss

(68)

(149)

5 Investment income and interest receivable

2011
£'000

2010
£'000

Interest receivable from associates
Interest receivable from related parties
Bank interest receivable and similar income
Foreign exchange gain on financing arrangements

951
29
512
1,120

540
-
463
912

2,612

1,915

6 Interest payable and similar charges

2011
£'000

2010
£'000

Bank loans and overdrafts
Interest payable to related parties
Amortisation of loan issue costs
Foreign exchange loss on financing arrangements
Other interest

23,161
2,151
749
3,340
633

22,608
2,299
1,087
3,327
692

30,034

30,013

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

7 Group operating profit	2011	2010
	£'000	£'000
Group operating profit is stated after charging / (crediting):		
Depreciation on owned assets	33,643	33,806
Amortisation of goodwill	1,603	2,121
Impairment loss on fixed assets (see note 12)	3,060	24,482
Impairment of goodwill (see note 11)	934	-
Foreign exchange (gains)/losses on trading activities	(1,273)	1,601
Auditor's remuneration (see below)	894	875
Operating lease rentals	4,344	5,541
Grant income amortisation	(41)	(41)
Profit on disposal of operating wind farms (credited to cost of sales)	<u>(17,779)</u>	<u>-</u>

Cost of sales includes a charge of £3.0m (2010: £20.1m) in respect of an exceptional impairment loss on plant and machinery as outlined in note 12. This charge was due to expected curtailments of operations related to the forthcoming upgrades to the transmission network in Texas.

Other impairment losses relate to asset write-downs totalling £0.9m (2010: £4.4m) in respect of undertakings in the non-wind renewables sector.

The analysis of auditor's remuneration is as follows:

	2011	2010
	£'000	£'000
Fees payable to the company's auditor for the audit of the Group's annual accounts	55	65
Fees payable to the company's auditor for the audit of the Group's annual accounts - prior year	5	30
The audit of the company's subsidiaries pursuant to legislation	565	560
The audit of the company's associates and joint ventures pursuant to legislation	9	8
The audit of the company's subsidiaries pursuant to legislation - prior year	20	53
Total audit fees	<u>654</u>	<u>716</u>
Other services pursuant to legislation:		
Tax services	222	156
Valuation services	7	-
Other services	11	3
Total non-audit fees	<u>240</u>	<u>159</u>
Total auditor's remuneration	<u>894</u>	<u>875</u>

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

8 Employee information	2011 £'000	2010 £'000
Remuneration of the directors of the company:		
Emoluments	1,393	1,067
Pension contributions	265	33
Total emoluments	<u>1,658</u>	<u>1,100</u>

In 2011, in addition to the above, entitlement under long-term incentive plans was £337,000 (2010 entitlement: £1,798,000).

Remuneration of the highest paid director:

Emoluments	562	706
Pension contributions	223	32
Total emoluments	<u>785</u>	<u>738</u>

In 2011, in addition to the above, entitlement of the highest paid director under long-term incentive plans was £337,000 (2010 entitlement: £1,798,000).

At the year end the accrued annual pension within the defined benefit scheme in relation to the highest paid director of the company was £176,000 (2010: £168,000).

	2011 £'000	2010 £'000
Staff costs of the Group including directors' emoluments:		
Wages and salaries	59,759	53,183
Social security costs	7,190	6,147
Pension and other costs	2,833	2,760
	<u>69,782</u>	<u>62,090</u>
	2011 No.	2010 No.
Average number employed during the year including directors	<u>990</u>	<u>781</u>

Retirement benefits in the company were accruing to one director during the year (2010: one) under defined benefit schemes.

Three of the directors of the company were remunerated for their services to the Renewable Energy Systems Holdings Limited Group by member companies of the Group (2010: three). The other directors of the company were paid by associated companies of the Newarthill Limited Group (a group under common control), and did not receive remuneration for services to the Renewable Energy Systems Holdings Limited Group.

The Group operates a number of long-term incentive programmes for senior employees such that cash payments are made over time based on increases in the value of Group entities. The values are determined by independent valuers based on cash flow and market based methodologies. During the year changes in the value of Group entities gave rise to entitlements for senior employees with various future vesting conditions. In the year £3.8 million was expensed and entitlements in future periods are currently estimated to be up to £4.3 million as the services from such senior employees are received. Future changes in the valuation of Group entities will also affect amounts to be accrued in future periods.

9 Tax charge on profit on ordinary activities

(a) Analysis of tax charge in the year :

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax for the year at 26.83% (2010: 28%)	1,433	(3,602)
Overseas tax for the year	8,801	7,279
Adjustments in respect of previous years - UK	(565)	-
Adjustments in respect of previous years - Overseas	3,462	(2,530)
Total current tax charge	<u>13,131</u>	<u>1,147</u>
Deferred tax:		
Timing differences, origination and reversal	(6,330)	11,500
Prior year adjustments	(523)	2,034
Total deferred tax credit	<u>(6,853)</u>	<u>13,534</u>
Total tax charge	<u><u>6,278</u></u>	<u><u>14,681</u></u>

(b) Factors affecting the tax charge for the current year :

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	<u>37,561</u>	<u>31,828</u>
Tax at 26.83% (2010: 28%)	10,078	8,912
Effects of:		
Fixed asset timing differences	1,761	(127)
Tax losses carried forward	5,731	7,194
Permanent differences	9,333	10,105
Income not taxable	(15,288)	(12,631)
Utilisation of losses	(6,103)	(1,274)
Movement in short term timing differences	3,569	(8,907)
Effects of overseas tax rates	1,423	805
Prior year adjustments	2,897	(2,530)
Foreign taxes	-	(93)
Transfer pricing compensating adjustments	(270)	-
U.S. production tax credits	-	(307)
	<u>13,131</u>	<u>1,147</u>

10 Exceptional adjustment to tax equity debt

In previous years, notional interest rates implicit in the US tax equity calculations were derived from a comparison of then current market rates for alternative project financing debt. Following well publicised increases in borrowing costs caused by liquidity market volatility, management consider it more appropriate to reflect the minimum return of the tax equity providers as a more accurate representation of the true implicit tax equity servicing costs.

This amount is disclosed as an exceptional loss for the year ended 31 October 2011 within the consolidated profit and loss account.

Impairment of operating assets

Net impairment losses of £3.1m on US operating assets were measured by discounting future cash flows to estimate the value-in-use of operating wind farms and comparing this result against the depreciated book value of the assets. Cash flow projections reflect management's current estimate of future generation revenues and operating costs. A project specific pre-tax discount rate of 9.69% was used which reflects the weighted average cost of capital for each income generating unit under review. For this purpose, cash flows were assessed over a 20 year period plus a terminal value. This change has in turn impacted future cash flows within the net present value calculation, which has resulted in the write back in full of an impairment loss of £6.4m recognised in 2010 in relation to one wind farm. This write back is included within the net impairment loss of £3.1m.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
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11 Intangible fixed assets - goodwill	2011 £'000	2010 £'000
Cost:		
At 1 November	27,697	27,564
Exchange rate adjustments	-	(26)
Acquisitions	-	536
Adjustment	(25)	(377)
Disposals	52	-
At 31 October	<u>27,724</u>	<u>27,697</u>
Amortisation:		
At 1 November	13,463	11,368
Exchange rate adjustments	-	(26)
Impairment	934	-
Charge for the year	1,603	2,121
At 31 October	<u>16,000</u>	<u>13,463</u>
Net book value:		
At 31 October	<u>11,724</u>	<u>14,234</u>

Impairment losses relate to asset write downs totalling £0.9m in the non-wind renewables sector.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

12 Tangible fixed assets

Group	Freehold land and buildings	Short leasehold land and buildings	Fixtures and fittings	Plant and equipment	Assets in course of construction	Total
Cost:	£'000	£'000	£'000	£'000	£'000	£'000
At 1 November 2010	14,611	3,029	5,432	631,761	45,434	700,267
Exchange rate adjustments	(72)	(4)	(59)	(4,066)	-	(4,201)
Additions	-	44	495	11,532	48,645	60,716
Disposals	(92)	(10)	(14)	(27,248)	-	(27,364)
Reclassification	(4)	35	(871)	16,976	(16,136)	-
At 31 October 2011	<u>14,443</u>	<u>3,094</u>	<u>4,983</u>	<u>628,955</u>	<u>77,943</u>	<u>729,418</u>
Depreciation:						
At 1 November 2010	1,663	743	3,494	142,608	-	148,508
Exchange rate adjustments	-	(4)	(27)	(949)	-	(980)
Charge for the year	114	489	814	32,226	-	33,643
Impairment losses (see note 10)	-	-	-	3,060	-	3,060
Disposals	-	(9)	(12)	(2,796)	-	(2,817)
Reclassification	-	4	(617)	613	-	-
At 31 October 2011	<u>1,777</u>	<u>1,223</u>	<u>3,652</u>	<u>174,762</u>	<u>-</u>	<u>181,414</u>
Net book value:						
At 31 October 2011	<u>12,666</u>	<u>1,871</u>	<u>1,331</u>	<u>454,193</u>	<u>77,943</u>	<u>548,004</u>
At 31 October 2010	<u>12,948</u>	<u>2,286</u>	<u>1,938</u>	<u>489,153</u>	<u>45,434</u>	<u>551,759</u>

Wind farm assets in the course of construction are reclassified as plant and equipment on completion of construction. Renewable Energy Systems Holdings Limited has no tangible fixed assets.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

13 Fixed asset investments

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Subsidiary undertakings		-	49,691	42,801
Joint ventures	99	167	-	-
Associates	3,580	3,007	-	-
Other investments	15,955	21,236	-	-
	<u>19,634</u>	<u>24,410</u>	<u>49,691</u>	<u>42,801</u>

Principal subsidiary undertakings are listed in note 32 to the financial statements.

Associates and joint ventures:

	Associates		Joint ventures	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Share of net assets at 1 November	3,442	159	167	507
Exchange rate adjustments	120	186	-	30
Additions	-	883	-	11
Disposals	980	-	-	(45)
Share of retained profit/(loss) for the year	<u>(962)</u>	<u>2,214</u>	<u>(68)</u>	<u>(336)</u>
Share of net assets at 31 October	3,580	3,442	99	167
Goodwill	-	(435)	-	-
	<u>3,580</u>	<u>3,007</u>	<u>99</u>	<u>167</u>

Investments in associates comprise the Group's share of net assets in an operating wind farm in Sweden.

Other investments above relate primarily to an investment in a Canadian wind project.

The following information is given in respect of the Group's share of all associates and joint ventures:

	Associates		Joint ventures	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover	<u>4,557</u>	<u>3,801</u>	<u>-</u>	<u>267</u>
Fixed assets	<u>37,703</u>	<u>36,732</u>	<u>-</u>	<u>1</u>
Current assets	<u>2,654</u>	<u>2,620</u>	<u>112</u>	<u>192</u>
Liabilities due within one year	<u>(1,927)</u>	<u>(1,094)</u>	<u>(13)</u>	<u>(26)</u>
Liabilities due after one year	<u>(34,850)</u>	<u>(34,816)</u>	<u>-</u>	<u>-</u>

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
For the year ended 31 October 2011

14 Stocks and work in progress

	Group	
	2011 £'000	2010 £'000
Work in progress	36,516	32,687
Stocks	379	64
Long-term contract balances	-	56
	<u>36,895</u>	<u>32,807</u>

15 Debtors

Amounts falling due within one year:	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade debtors	68,357	87,647	-	-
Amounts recoverable on contracts	7,224	14,442	-	-
Amounts owed by Group undertakings	-	-	4,323	20,220
Amounts owed by related parties	2,545	1	-	-
Amounts owed by associated companies	8,689	10,151	-	-
Value added tax	7,734	11,202	-	-
Other debtors	3,369	4,055	-	-
Deferred tax asset (see note 16)	5,854	12,946	-	-
Corporation tax	4,770	3,928	-	-
Prepayments and accrued income	20,942	33,132	-	-
	<u>129,484</u>	<u>177,504</u>	<u>4,323</u>	<u>20,220</u>
Amounts falling due after more than one year:				
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Deferred tax asset (see note 16)	8,335	3,253	-	-
Other debtors	322	244	-	-
	<u>8,657</u>	<u>3,497</u>	<u>-</u>	<u>-</u>
Total debtors	<u>138,141</u>	<u>181,001</u>	<u>4,323</u>	<u>20,220</u>

16 Deferred taxation

	2011 £'000	2010 £'000
Included in debtors falling due within one year (see note 15)	5,854	12,946
Included in debtors falling due after more than one year (see note 15)	8,335	3,253
Included in provisions for liabilities and charges (see note 20)	(19,746)	(29,393)
	<u>(5,557)</u>	<u>(13,194)</u>

Movement in temporary timing differences during the year:

	2010 £'000	Exchange rate adjustments £'000	Credited to profit and loss account £'000	Disposal of subsidiary £'000	2011 £'000
Fixed asset timing differences	(28,669)	146	5,034	906	(22,583)
Losses	15,722	86	1,538	-	17,346
Other short-term timing differences	(247)	(350)	281	(4)	(320)
	<u>(13,194)</u>	<u>(118)</u>	<u>6,853</u>	<u>902</u>	<u>(5,557)</u>

The rate of corporation tax will change from 26% to 25% from 1 April 2012. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, all deferred tax closing balances have been restated using a rate of 25%. The change of rate in the year decreased the net deferred tax liability in the UK by £343,000 (2010: £372,000). Due to a decrease during the year in corporation tax rates in Canada the net deferred liability has decreased by £402,000 (2010: nil) in that region.

The UK Government has also indicated that it intends to enact future reductions in the main rate of corporation tax of 1 per cent each year down to 23 per cent by 1 April 2014. The future 1 per cent main rate of corporation tax reductions are expected to have a similar impact on our financial statements as outlined above, however the actual impact will be dependent on our deferred tax position at that time.

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences where there is insufficient evidence that assets will be recovered within the foreseeable future. The amount of assets not recognised by the Group is £5,392,000 (2010: £11,214,000), and the company is £nil (2010: £nil).

Unprovided deferred tax	2011 £'000	2010 £'000
Accelerated capital allowances	339	4,943
Losses	4,863	5,782
Short-term timing differences	190	489
	<u>5,392</u>	<u>11,214</u>

17 Cash at bank and in hand

Cash at bank and in hand includes amounts held for restricted purposes as follows: Group £16,739,000 (2010: £18,150,000); company £nil (2010: £nil).

Restricted cash balances relate to cash held in non-recourse special project companies and amounts held to collateralise letters of credit.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
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18 Creditors: amounts falling due within one year

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank loans (see note 24)	39,498	47,786	-	-
Payments received on account	37,843	73,393	-	-
Trade creditors	35,555	57,895	-	-
Amounts owed to related parties (see note 30)	127	65	-	-
Corporation tax	7,461	2,662	-	-
Value added tax	11,363	12,764	-	-
Other creditors	6,173	7,587	-	-
Accruals and deferred income	85,885	104,155	-	-
	<u>223,905</u>	<u>306,307</u>	<u>-</u>	<u>-</u>

19 Creditors: amounts falling due after more than one year

	Group	
	2011 £'000	2010 £'000
Bank loans (see note 24)	410,400	393,996
Amounts owed to related parties (see note 30)	36,000	43,000
Other creditors	694	1,880
Accruals and deferred income	540	354
	<u>447,634</u>	<u>439,230</u>

Amounts owed to related parties comprise a loan payable to Sir Robert McAlpine Enterprises Limited, a company under common control. The interest rate on this loan is fixed at 5% and the maturity date of the loan is 31 October 2014. This loan has also been included within borrowings (note 24).

20 Provision for liabilities and charges

Group:	2010 £'000	Movement £'000	2011 £'000
Other provisions	6,144	1,344	7,488
Deferred tax (see note 16)	29,393	(9,647)	19,746
At 31 October	<u>35,537</u>	<u>(8,303)</u>	<u>27,234</u>

Other provisions include amounts relating to decommissioning. Decommissioning provisions will be utilised at the end of each wind farm's useful life, which varies between December 2014 and April 2030.

Renewable Energy Systems Holdings Limited
Notes to the Financial Statements
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21 Called up share capital	2011	2010
	£'000	£'000
Authorised: 60,000,000 (2010: 60,000,000) ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>
Called up, 60,000,000 (2010: 60,000,000) ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

22 Reserves	Merger reserve	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Group				
At 1 November 2010	9,584	(1,888)	70,557	78,253
Retained profit for the year	-	-	31,283	31,283
Currency translation arising on consolidation	-	(641)	-	(641)
At 31 October 2011	<u>9,584</u>	<u>(2,529)</u>	<u>101,840</u>	<u>108,895</u>

The only movement in reserves in the parent company was a retained loss in the year of £9,007,000 (2010: profit of £19,280,000). As permitted by section 408 of the Companies Act 2006, no profit and loss of the parent company is presented.

Other reserves comprise currency translation differences on foreign currency net investments.

23 Reconciliation of movements in shareholder's funds

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Retained profit/(loss) for the year	31,283	16,718	(9,007)	19,280
Other recognised gains and losses relating to the year	(641)	1,504	-	-
Net addition / (reduction) to equity shareholder's funds	<u>30,642</u>	<u>18,222</u>	<u>(9,007)</u>	<u>19,280</u>
Opening equity shareholder's funds	138,253	120,031	63,021	43,741
Closing equity shareholder's funds	<u>168,895</u>	<u>138,253</u>	<u>54,014</u>	<u>63,021</u>

Renewable Energy Systems Holdings Limited
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24 Borrowings

	Group	
	2011	2010
	£'000	£'000
Bank loans are repayable by instalments as follows:		
One year or less	39,498	47,786
Between one and two years	29,216	49,034
Between two and five years	117,639	151,741
In five years or more	299,545	236,221
	<u>485,898</u>	<u>484,782</u>

Facilities were fully drawn at year end and are repayable in non-equal instalments over periods up to 20 years. Interest rate margins range from 1% to 2.6% above LIBOR and EURIBOR, and the underlying interest rate risk is actively managed through the use of interest rate swaps.

A total of 91% (2010: 89%) of the Group's borrowings are non-recourse long-term project finance debt secured by fixed and floating charges on the Group's operating wind projects. The remaining borrowings are unsecured related party loans or mortgages secured on the Group's properties. Loans in respect of assets in the course of construction are arranged on a limited recourse basis, restricting the lenders' recourse to the assets of the project company.

The above figures are presented after deduction of unamortised loan issue costs of £9,673,000 (2010: £10,913,000) which are being written off over the term of the loans.

Included above are amounts owed to a related party as described in notes 19 and 30. The interest rate on this loan is fixed at 5% and interest is paid in full twice annually, in April and October, the next payment date being 31 October 2012.

25 Financial commitments

Group financial commitments are as follows:

	Group	
	2011	2010
	£'000	£'000
Wind farm construction costs contracted for but not provided for on wind farms to be retained within the Group	<u>15,643</u>	<u>10,911</u>

These commitments are financed either by contracts for sale with third parties or by limited recourse bank loans.

Annual commitments for land and buildings (which principally relate to office buildings) under non-cancellable leases are shown below. Certain operating lease costs are variable in nature and are linked to the performance of wind farms, and are included below at the estimated annual amount.

	Land and buildings		Other	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Operating lease expiring:				
One year or less	686	572	166	265
Between one and two years	570	597	275	328
Between two and five years	847	1,235	7	172
In five years or more	2,853	3,084	-	57
	<u>4,956</u>	<u>5,488</u>	<u>448</u>	<u>822</u>

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26 Cash flow statement

	2011 £'000	2010 £'000
(a) Analysis of cash flows for headings netted in cash flow statement		
Returns on investments and servicing of finance		
Interest received	962	1,003
Interest paid	(25,848)	(30,013)
Net cash outflow from returns on investments and servicing of finance	<u>(24,886)</u>	<u>(29,010)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(60,718)	(53,462)
Receipts from sale of tangible fixed assets	13,114	-
Payments for investments	(12,116)	(21,185)
Receipts from sale of investments	17,712	-
Loans to associates	1,462	(6,909)
Net cash outflow from capital expenditure and financial investment	<u>(40,546)</u>	<u>(81,556)</u>
Acquisitions and disposals		
Purchase of shares in associates	-	(883)
Net cash outflow from acquisitions and disposals	<u>-</u>	<u>(883)</u>
Financing		
Repayment of loans	(64,034)	(29,657)
New secured loans	67,556	4,262
Net cash inflow / (outflow) from financing	<u>3,522</u>	<u>(25,395)</u>

(b) Analysis of net debt

	At 1 Nov 2010 £'000	Cashflow £'000	Exchange £'000	At 31 Oct 2011 £'000
Cash at bank and in hand	115,746	(2,660)	184	113,270
Loans due within one year	(47,786)	8,011	278	(39,497)
Loans due after one year	(436,996)	(11,533)	2,128	(446,401)
	<u>(369,036)</u>	<u>(6,182)</u>	<u>2,590</u>	<u>(372,628)</u>

Major non-cash transactions

The analysis of net debt shown above includes Production Tax Credits and Capital Allowances surrendered to tax equity partners of 2011: £21.7m (2010: £31.5m).

27 Retirement benefits

Renewable Energy Systems Limited and Renewable Energy Systems UK & Ireland Limited (both Group companies) are participating employers in the defined benefits section of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme ("the Scheme"). The assets of the Scheme are held separately from those of the Group. The pension cost relating to the Scheme is assessed in accordance with the advice of an external, qualified actuary using the projected unit method. The defined benefits section of the Scheme is closed to new entrants and under the projected unit method the current service cost will increase as the members approach retirement.

Following the demerger from the SRM group in 2009, the Group is required to disclose the information shown below, in relation to its membership of the Scheme. The amounts disclosed relate to the Scheme and these disclosures are also included in the annual report and financial statements of Newarthill Limited, the Scheme's principal employer, copies of which are publicly available. Newarthill Limited's consolidated annual report and financial statements also include the full FRS 17 balance and associated annual charges and credits, including the impact on deferred taxation. As the assets and liabilities of the Scheme cannot be identified between different participating companies within the Scheme, the Group continues to account for the Scheme as if it were a defined contribution scheme. Costs incurred by the Group for the year were £236,000 (2010: £197,000) and there were no amounts outstanding by way of amounts owing or outstanding commitments. The accounting surplus in the entire Scheme at 31 October 2011 was nil (2010: nil).

RES On Site Limited, Wood Energy Limited, PV Systems Limited and Inbuilt Limited, (all Group companies), together with the Group companies noted in the preceding paragraph, are contributing employers of the defined contribution section of the Scheme, whereby employee contributions are matched by company contributions. During the year the cost was £744,000 (2010: £616,000) and all such costs are expensed as incurred. At the year end there were no amounts outstanding, either by way of amounts owing or outstanding commitments.

The company's overseas subsidiaries also operate local defined contribution schemes, whereby employee contributions are matched by company contributions. During the year the cost was £1,483,000 (2010: £1,352,000) and all such costs were expensed as incurred. At the year end, in the US, contributions yet to be paid over to the pension scheme totalled £nil (2010: £153,000).

28 Derivatives not included at fair value

At the balance sheet date the company has the following open derivatives that were not included in the accounts at fair value:

	2011 £'000	2010 £'000
Fair value of derivatives:		
(a) Loss on currency hedge contracts	(787)	(1,720)
(b) Loss on interest rate swaps	(21,079)	(26,912)
	<u>(21,866)</u>	<u>(28,632)</u>

Currency hedge contracts are in place for 100% of the underlying liabilities. The above contracts in place are due to mature within eighteen months of the balance sheet date. The interest rate swaps are in place for 75% to 100% of all outstanding non-revolving bank loans, for up to 10 years from the date of first utilisation of the loan.

29 Contingent liabilities

There were contingent liabilities in respect of guarantees and ordinary contract performance bonds given on construction activities in the normal course of business. The Group does not expect these to result in material costs in the future.

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30 Related party transactions

Renewable Energy Systems Holdings Limited has taken advantage of the exemption which is conferred by FRS 8 "Related Party Disclosures" that allows it not to disclose transactions with 100% or more Group undertakings. At the year end date the following balances with related parties were outstanding:

Related party	Relationship	Balance	Amount	
			2011 £'000	2010 £'000
Sir Robert McAlpine Enterprises Limited	Entity under common control	Loan payable	(36,000)	(43,000)
Sir Robert McAlpine Limited	Entity under common control	Trading balance	(127)	(65)
Sir Robert McAlpine Limited	Entity under common control	Trading balance	5	1
Newarthill Limited	Entity under common control	Trading balance	(9)	-
Earth Energy Limited	25% associate	Loan receivable	-	2,832
Future Heating Limited	25% associate	Loan receivable	-	198
Wadlow Energy Holdings Limited	15% investment	Loan receivable	2,532	-

The loan and trading balances noted above are included in debtors and creditors. Interest of £2,151,000 (2010: £2,299,000) in respect of the loan payable is included in interest payable. During the year the company purchased services in the ordinary course of business from Sir Robert McAlpine Ltd at a cost of £661,000 (2010: £636,000) and from Newarthill Limited, a company also under common control, at a cost of £113,000 (2010: £280,000).

31 Ultimate controlling party

The ultimate controlling party of the company is The McAlpine Partnership Trust, of which two Trustees are also directors of the company.

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32 Subsidiary undertakings

The following represent the principal subsidiaries as at 31 October 2011, the majority of which are involved in the development and construction of wind farms or the production and sale of wind generated electricity. The proportion of voting rights held by the Group is the same as the proportion of shares held.

Company name	Country of incorporation	Holding %
Direct subsidiary undertakings		
Renewable Energy Systems Limited	GB	100%
RES Enterprises Limited	GB	100%
Indirect subsidiary undertakings		
Development and construction subsidiaries:		
Renewable Energy Systems Construction Limited	GB	100%
Renewable Energy Systems UK & Ireland Limited	GB	100%
Eole-RES s.a.	France	100%
RES Méditerranée s.a.s.	France	100%
RES Italia	Italy	100%
RES Anatolia	Turkey	100%
NV Nordisk Vindkraft AB (formerly RES Skandinavien AB)	Sweden	100%
Renewable Energy Systems Americas Inc.	USA	100%
Renewable Energy Systems Canada Inc.	Canada	100%
RES Australia Pty Limited	Australia	100%
RES Chile SpA	Republic of Chile	100%
Renewable Energy Systems Southern Africa Pty	South Africa	100%
Operating wind farm subsidiaries:		
RES-GEN Limited	GB	100%
RES Wind Farm Holdings Limited	GB	100%
Black Hill Wind Farm Limited	GB	100%
Dyffryn Brodyn Limited	GB	100%
Forss Wind Farm Limited	GB	100%
Four Burrows Limited	GB	100%
Hill of Towie Limited	GB	100%
Green Hill Energy Limited	GB	100%
Altahullion Wind farm Limited	Northern Ireland	100%
Lendrum's Bridge Wind Farm Limited	Northern Ireland	100%
Lough Hill Wind Farm Limited	Northern Ireland	100%
Cark Limited	Republic of Ireland	100%
MHB Wind Farms Limited	Republic of Ireland	100%
Taurbeg Limited	Republic of Ireland	100%
CEPE de Cuxac s.a.r.l.	France	100%
CEPE des Claves s.a.r.l.	France	100%
CEPE de Haut Cabardes s.a.r.l.	France	100%
CEPE du Haut Languedoc s.a.r.l.	France	100%
CEPE du Souleilla s.a.r.l.	France	100%
CEPE du Pays de Saint Seine s.a.r.l.	France	100%
CEPE de Marsanne s.a.r.l.	France	100%
CEPE de Grand Bois s.a.r.l.	France	100%
CEPE de Puits Castan s.a.r.l.	France	100%
Whirlwind Wind LLC	USA	100%
Hackberry Wind LLC	USA	100%