Registration number: 04712921

Zephyr Investments Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2015

Zephyr Investments Limited

Contents

Zephyr Investments Limited

Company Information

Directors	D Simons
	M Walters
	A Pena
	M Chaladek
	S Stavnsbo
	M LeBlanc
	M Parker
	B Freeman
	H Himmel
	N Roessner
Company secretary	P Sainsbury
Registered office	Windmill Hill Business Park, Whitehill Way Swindon Wiltshire SN5 6PB
Auditor	Deloitte LLP

Zephyr Investments Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015. The Group and Company financial statements have been prepared for the first time in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("IFRS's"). As a result, the Group and Company have applied IFRS 1 'First-time Adoption of International Financial Reporting Standards' at the IFRS transition date of 1st January 2014

Fair review of the business
The business continues to invest in Beaufort Wind Limited which during the year owned and operated an existing portfolio of 17 wind farms in the UK. As the operational wind farms reach the end of their design life Headwind Development Services Limited, a subsidiary of the Group, is considering ways to maximise future value from these sites by investigating repowering opportunities.

The results for the year are presented on page 10 of the financial statements. The Group profit on ordinary activities after taxation for the year ended 31 December 2015 was £485,998 (2014: £29,329,652 loss).

The financial position of the Group at the end of the year is provided on page 12 of the financial statements. The net liabilities of the Group as at 31 December 2015 were £72,607,446 (2014: £77,394,835).

The improvement in the financial performance of the Group is mainly driven by the higher volume of wind that has consequently led to higher revenue for the current year (further details are provided below within the Key Performance Indicators section). There was no impairment charge recognised in the consolidated income statement or statement of financial position in the current year (2014: £12,456,793) which is another contributing factor for the decrease in loss, net liabilities and increase in cash generated from operating activites. Additionally, there have been savings in operating costs mainly due to savings in relation to the Jack up barge campaign and associated costs at North Hoyle, and along with the reasons outlined above has resulted in a higher operating profit for the year.

During the year 2017, it is probable that an independent company will exercise it's option to purchase the wind farm under Windy Standard, which means there is no need for a decommissioning provision or asset to be recognised in the accounts. Hence, for the current year, the provision at Windy Standard Limited and the associated Decommissioning asset has been derecognised and as a result £1,100,479 has been credited to the profit and loss account.

There has been no changes to the capital structure of the Group within the current year.

There have been no significant events since the year end.

During the year the Group repaid £35,172,323 (2014: £29,463,651) of debt (see page 15).

The group's key financial and other performance indicators during the year were as follows:

Revenue
Revenue has increased by 14% (2015: £84,035,734) from prior year (2014: £72,724,414) which has contributed to a stronger financial performance in 2015. This increase is primarily down to volume generated in the year as provided below.

Availability
The availability % in 2015 for all assets was 92% which is up from prior year (2014: 91%). This has also contributed to the contributed to higher generation in the current year.

	Unit	2015	2014
Volume generated	GWh	1,061.00	919.00
Availability	%	92.00	91.00

Principal risks and uncertainties
The principal risk and uncertainty facing the business is that in the event average wind speeds fall significantly below expectations this would have a negative impact on revenues and cash flows resulting in potential impairment of the Property, Plant and equipment, ability to pay Deep Discount Bonds and risk of not being able to repower and renegotiate leases.

Future developments
The business will continue to operate wind farms through its subsidiary Beaufort Wind Limited. As existing supply contracts ("power purchase agreements") fall due for renewal, the business is negotiating and agreeing improved terms with existing and new customers.

An independent company has an option to purchase the wind farm that falls under the ownership of Windy Standard Limited in 2017. The current year financial statements has been amended accordingly to reflect this highly probable future transaction.

The business also continues with the investigation of repowering opportunities through its subsidiary Headwind Development Services Limited.

Approved by the Board on 21 April 2016 and signed on its behalf by:

P Sainsbury
Company secretary

The directors present their report and the consolidated financial statements for the year ended 31 December 2015.

The directors have addressed principal risks and uncertainties; key performance indicators and events after the Statement of Financial Position date in the strategic report.

Directors of the group

The directors who held office during the year were as follows:

D Simons

M Walters

A Pena

M Chaladek (appointed 27 April 2015)

S Stavnsbo

M LeBlanc

M Parker (appointed 1 March 2015)

B Freeman (appointed 1 March 2015)

P Coffey (resigned 28 April 2015)

K Bradbury (resigned 27 April 2015)

N Roessner (appointed 3 July 2015)

M Dellacha (resigned 3 July 2015)

The following director was appointed after the year end:

H Himmel (appointed 1 January 2016)

Principal activity

The principal activity of the Group is the investment in electricity generation projects which utilise wind power. The principal activities of its subsidiaries are detailed on note 21 to these financial statements.

The principal activity of the Company is to act as a holding company for all its subsidiaries.

Dividends

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2015 (2014: £nil).

Going concern
The Group and Company made a profit in the year and the Group is also in a net liabilities position. The directors have fully considered the risks and uncertainties to the Group and Company's cash flow forecasts and projections, taking into account reasonably possible changes in average wind speeds, expected increased revenue due to new power purchase agreements and repayment obligations in respect of its bank loans.

On this basis, the directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Financial risks

Objectives and policies
The Group's operations expose it to a variety of financial risks that include interest rate risk, currency risk, price risk, credit risk, liquidity and cash flow risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

(a) Interest rate risk

The Group's only interest bearing asset is cash, which earns interest at a variable rate. The Group maintains a policy, in line with the loan facility agreement, of using floating to fixed interest rate swaps for bank debt. This policy ensures stability of future interest cash out flows and hence manages interest rate risk.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

(b) Currency risk

All of the Group's trading activities are within the United Kingdom. On occasion services are purchased in non-sterling currencies however values are relatively low and as such the Group does not use foreign currency exchange contracts with any difference being recognised directly in the income statement.

(c) Price risk

The Group's exposure to price risk is potentially significant given the volatile electricity market. However, the Group has mitigated the exposure for each wind farm by entering into separate long term power purchase agreements with RWE Npower Limited and Smartest Energy, and Non-Fossil Fuel Obligation (NFFO) with the Non-Fossil Fuel Purchasing Agency (NFPA). As these contracts become due for renewal, the Group is actively seeking to negotiate improved terms.

(d) Credit risk

The Group's exposure to credit risk in the event that RWE Npower Limited or Smartest Energy defaulted on the terms of the power purchase agreement is mitigated by a guarantee provided by RWE AG and Marubeni respectively. The NFPA are governmental agencies and are therefore not considered to be a significant credit risk.

(e) Liquidity and cash flow risk

Liquidity risk is not considered to be a significant issue for the Group as the operational wind farm assets generate sufficient positive cash flows to service the bank loans and early redemption of Deep Discount Bonds is only permitted when the Group has surplus cash after meeting all other obligations and is at the discretion of management considering the future cash flow requirements of the group, further, no annual interest is payable on the deep discount bonds. The Group has no significant exposure to cash flow risk as the timing of receipt of revenues for electricity generation is incorporated into the power purchase agreement with RWE Npower Limited, Smartest Energy and NFFO contracts with the NFPA.

Cash flows in respect of senior debt servicing are set out in the schedule of repayments with the respective loan agreements (see note 13 and 19).

Disclosure of information to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware; and

(b) that each 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 Group'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.

Reappointment of auditor
Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 21 April 2016 and signed on its behalf by:

P Sainsbury
Company secretary

Zephyr Investments Limited

Statement of Directors' Responsibilities

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 income statement of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Zephyr Investments Limited

Group and Company Independent Auditor Report

We have audited the financial statements of Zephyr Investments Limited for the year ended 31 December 2015 which comprise of the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flows and the related notes set out on pages 19 to 49. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor
As explained more fully in the Statement of Directors' Responsibilities (set out on page 7), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Group and Company Independent Auditor Report (continued)

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

J. A. Ll

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James Leigh FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

21 April 2016

Zephyr Investments Limited

Consolidated Income Statement for the Year Ended 31 December 2015

	Note	2015 £	(As restated) 2014 £
Revenue		84,035,734	72,724,414
Cost of sales		(47,130,951)	(49,904,355)
Gross profit		36,904,783	22,820,059
Administrative expenses		(901,382)	(901,551)
Derecognition of decommissioning asset and provision		1,100,479	-
Impairment charge	2	-	(12,456,793)
Operating profit	3	37,103,880	9,461,715
Finance income		3,640,582	531,955
Finance costs		(39,974,493)	(38,728,281)
Net finance cost	4	(36,333,911)	(38,196,326)
Profit/(loss) before tax		769,969	(28,734,611)
Income tax expense	6	(283,971)	(595,041)
Profit/(loss) for the year		485,998	(29,329,652)
Profit/(loss) attributable to:			
Owners of the company		485,998	(29,329,652)

The above results were derived from continuing operations.

The consolidated income statement has been prepared for the first time in accordance with IFRS as adopted by the European Union. As a result, the 2014 consolidated income statement has been restated. See note 22 for further information.

Zephyr Investments Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £	2014 £
Profit/(loss) for the year		485,998	(29,329,652)
Items that may be reclassified subsequently to profit or loss			
Amortisation of hedging reserve		3,411,572	4,710,101
Tax expense on items classified within other comprehensive income		(854,831)	-
		2,556,741	4,710,101
Total comprehensive income for the year		3,042,739	(24,619,551)
Total comprehensive income attributable to:			
Owners of the company		3,042,739	(24,619,551)

The notes on pages 19 to 49 form an integral part of these financial statements.

Zephyr Investments Limited

(Registration number: 04712921)
Consolidated Statement of Financial Position as at 31 December 2015

	Note	31 December 2015 £	(As restated) 31 December 2014 £	(As restated) 1 January 2014 £
Assets				
Non-current assets				
Property, plant and equipment	7	173,854,220	193,977,918	225,167,884
Current assets				
Inventories	9	1,971,982	1,412,451	1,390,778
Trade and other receivables	10	14,279,050	14,040,786	11,598,779
Cash and cash equivalents	11	16,646,108	13,775,487	15,173,071
		32,897,140	29,228,724	28,162,628
Total assets		206,751,360	223,206,642	253,330,512
Equity and liabilities				
Current liabilities				
Trade and other payables	18	(11,398,101)	(9,718,458)	(6,798,491)
Loans and borrowings	13	(16,288,682)	(16,712,912)	(16,259,272)
		(27,686,783)	(26,431,370)	(23,057,763)
Non-current liabilities				
Loans and borrowings	13	(71,847,511)	(88,228,195)	(104,941,107)
Derivative financial instruments	14	(8,625,845)	(12,173,734)	(12,616,223)
Decommissioning Provisions	16	(31,705,889)	(33,074,227)	(29,970,476)
Government grant	17	(4,250,513)	(4,750,171)	(5,249,829)
Other non-current financial liabilities	19	(122,859,996)	(121,738,799)	(116,183,074)
Deferred tax liabilities	6	(12,382,269)	(14,204,981)	(14,843,324)
		(251,672,023)	(274,170,107)	(283,804,033)
Total liabilities		(279,358,806)	(300,601,477)	(306,861,796)
Equity				
Share capital	12	719,964	545,499	469,899
Share premium		5,579,685	4,009,500	3,329,100
Hedging reserve		(5,349,381)	(7,906,122)	(12,616,223)
Retained earnings		(73,557,714)	(74,043,712)	(44,714,060)
Total Equity		(72,607,446)	(77,394,835)	(53,531,284)
Total equity and liabilities		(206,751,360)	(223,206,642)	(253,330,512)

The notes on pages 19 to 49 form an integral part of these financial statements.

Zephyr Investments Limited

(Registration number: 04712921)
Consolidated Statement of Financial Position as at 31 December 2015 (continued)

The consolidated statement of financial position has been prepared for the first time in accordance with IFRS as adopted by the European Union. As a result, the statements of financial position as at 31 December 2014 and 1 January 2014 have been restated. See note 22 for further information.

Approved by the Board on 21 April 2016 and signed on its behalf by:

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M Walters

Director

Zephyr Investments Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £	Share premium £	Retained earnings £	Cash flow hedging reserve £	Total equity £
At 1 January 2015 (As restated)	545,499	4,009,500	(74,043,712)	(7,906,122)	(77,394,835)
Profit for the year	-	-	485,998	-	485,998
Other comprehensive income	-	-	-	2,556,741	2,556,741
Total comprehensive income	-	-	485,998	2,556,741	3,042,739
New share capital subscribed	174,465	1,570,185	-	-	1,744,650
At 31 December 2015	719,964	5,579,685	(73,557,714)	(5,349,381)	(72,607,446)

	Share capital £	Share premium £	Retained earnings £	Cash flow hedging reserve £	Total equity £
At 1 January 2014 (As restated)	469,899	3,329,100	(44,714,060)	(12,616,223)	(53,531,284)
Loss for the year (As restated)	-	-	(29,329,652)	-	(29,329,652)
Other comprehensive income	-	-	-	4,710,101	4,710,101
Total comprehensive income (As restated)	-	-	(29,329,652)	4,710,101	(24,619,551)
New share capital subscribed	75,600	680,400	-	-	756,000
At 31 December 2014 (As restated)	545,499	4,009,500	(74,043,712)	(7,906,122)	(77,394,835)

The notes on pages 19 to 49 form an integral part of these financial statements.

Zephyr Investments Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2015

	Note	2015 £	(As restated) 2014 £
Cash flows from operating activities			
Profit/(loss) for the year		485,998	(29,329,652)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	19,348,625	21,029,971
Derecognition of decommissioning assets and provision at Windy Standard		(1,100,479)	-
Impairment Charge	2	-	12,456,793
Finance income	4	(3,640,582)	(531,955)
Finance costs	4	39,974,493	38,728,281
Income tax expense	6	283,971	595,041
		55,352,026	42,948,479
Working capital adjustments			
Increase in inventories	9	(559,531)	(21,673)
Increase in trade and other receivables	10	(238,264)	(2,442,007)
(Decrease)/increase in trade and other payables	18	(447,568)	3,625,075
Decrease in deferred income, including government grants	17	(499,658)	(499,658)
Cash generated from operations		53,607,005	43,610,216
Income taxes paid	6	(834,302)	(1,938,493)
Net cash flow from operating activities		52,772,703	41,671,723
Cash flows from investing activities			
Interest received		92,695	89,467
Cash flows from financing activities			
Interest paid		(16,567,104)	(14,451,123)
Proceeds from issue of ordinary shares, net of issue costs	12	1,744,650	756,000
Repayment of bank borrowing		(35,172,323)	(29,463,651)
Net cash flows from financing activities		(49,994,777)	(43,158,774)
Net increase/(decrease) in cash and cash equivalents		2,870,621	(1,397,584)
Cash and cash equivalents at 1 January		13,775,487	15,173,071
Cash and cash equivalents at 31 December		16,646,108	13,775,487

The consolidated statement of cash flows has been prepared for the first time in accordance with IFRS as adopted by the European Union. No restatements were required to the 2014 statement of cash flows as a result of IFRS transition.

Zephyr Investments Limited

(Registration number: 04712921)
Company Statement of Financial Position as at 31 December 2015

	Note	31 December 2015 £	31 December 2014 £	1 January 2014 £
Assets				
Non-current assets				
Investments	8	6,299,651	4,555,001	3,799,001
Trade and other receivables	10	124,904,606	123,507,300	117,725,312
		131,204,257	128,062,301	121,524,313
Current assets				
Trade and other receivables	10	4,031,578	6,958,911	6,050,769
Cash and short-term deposits	11	6,098	4,030	3,990
		4,037,676	6,962,941	6,054,759
Total assets		135,241,933	135,025,242	127,579,072
Equity and liabilities				
Current liabilities				
Current liabilities	18	(2,515,673)	(5,315,856)	(4,287,000)
		(2,515,673)	(5,315,856)	(4,287,000)
Non-current liabilities				
Other non-current financial liabilities	19	(124,904,606)	(123,507,300)	(117,725,312)
Equity				
Share capital	12	719,964	545,499	469,899
Share premium		5,579,685	4,009,500	3,329,100
Retained earnings		1,522,005	1,647,087	1,767,761
Total equity		7,821,654	6,202,086	5,566,760
Total liabilities		(127,420,279)	(128,823,156)	(122,012,312)
Total equity and liabilities		135,241,933	135,025,242	127,579,072

The company statement of financial position has been prepared for the first time in accordance with IFRS as adopted by the European Union. No restatements were required to the 31 December 2014 and 1 January 2014 statements of financial position as a result of the IFRS transition.

Approved by the Board on 21 April 2016 and signed on its behalf by:

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M Walters

Director

Zephyr Investments Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	545,499	4,009,500	1,647,087	6,202,086
Loss for the year	-	-	(125,082)	(125,082)
Total comprehensive income	-	-	(125,082)	(125,082)
New share capital subscribed	174,465	1,570,185	-	1,744,650
At 31 December 2015	719,964	5,579,685	1,522,005	7,821,654

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2014	469,899	3,329,100	1,767,761	5,566,760
Loss for the year	-	-	(120,674)	(120,674)
Total comprehensive income	-	-	(120,674)	(120,674)
New share capital subscribed	75,600	680,400	-	756,000
At 31 December 2014	545,499	4,009,500	1,647,087	6,202,086

The notes on pages 19 to 49 form an integral part of these financial statements.

Zephyr Investments Limited

Company Company Statement of Cash Flows for the Year Ended 31 December 2015

	Note	2015 £	2014 £
Cash flows from operating activities			
Loss for the year		(125,082)	(120,674)
Adjustments to cash flows from non-cash items			
Income tax expense	6	(44,431)	-
		(169,513)	(120,674)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	10	2,927,333	(908,142)
(Decrease)/increase in trade and other payables	18	(2,800,183)	1,028,856
Cash generated from operations		(42,363)	40
Income taxes received	6	44,431	-
Net cash flow from operating activities		2,068	40
Cash flows from investing activities			
Purchase of ordinary shares in Headwind Development Services Limited	8	(1,744,650)	(756,000)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs	12	1,744,650	756,000
Net increase in cash and cash equivalents		2,068	40
Cash and cash equivalents at 1 January		4,030	3,990
Cash and cash equivalents at 31 December		6,098	4,030

The company statement of cash flows has been prepared for the first time in accordance with IFRS as adopted by the European Union. No restatements were required to the 2014 statement of cash flows as a result of IFRS transition.

Zephyr Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 Accounting policies

General information and basis of accounting
Zephyr Investments Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and it's principle activities are set out in the Strategic and Directors' report on pages 2 to 3.

The financial statements have been prepared under historical cost accounting rules except where balances are required to be measured at fair value at each period end.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Group and Company financial statements have been prepared in accordance with IFRS 1 'First-time Adoption of International Financial Reporting Standards' and its interpretations adopted by the EU ("IFRS's"). As a result, the Group and Company have applied IFRS 1 'First-time adoption' at the IFRS transition date of 1st January 2014

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

1 Accounting policies (continued)

Adoption of new and revised Standards
As this.is the first year of presenting financial statements in accordance with IFRS, the Group has adopted all accounting standards effective at 31 December 2015

New standards and interpretations
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IFRS / IAS)	**IASB Effective Date - periods commencing on or after**	**EU-endorsed effective Date - periods commencing on or after**
New standards		
IFRS 9 - Financial Instruments	1 January 2018	TBC – endorsement outstanding
IFRS 15 - Revenue from Contracts with Customers	1 January 2018	TBC – endorsement outstanding
IFRS 16 - Leases	1 January 2018	TBC – endorsement outstanding
Amendments to standards		
Amendments to IAS 12 - Recognition of Deferred Tax Assets for unrealised Losses	1 January 2017	TBC – endorsement outstanding
Amendments to IAS 1- Disclosure Initiative	1 January 2016	1 January 2016
Annual Improvements to IFRSs: 2012-2014 Cycle	1 January 2016	1 January 2016

1 Accounting policies (continued)

Transition to IFRS
The transition to IFRS has no impact on the Group's business strategy, nor on the cash flows generated by the business. The main accounting changes introduced by IFRS relate to the recognition of liabilities on the statement of financial position (see note 22):

- Recognition of interest rate swap liabilities on the consolidated statement of financial position
- Adjustment of issue costs relating to Deep Discount Bonds

IFRS 1 Disclosure requirements

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

The Group has prepared and presented an opening IFRS statement of financial position at the date of transition to IFRS (1 January 2014). This is the starting point for its accounting in accordance with IFRSs (see note 22 for further details)

To comply with IAS 1, the Group's first IFRS financial statements include three statements of financial position, two income statements , two statements of cash flows and two statements of changes in equity and related notes, including comparative information.

Property, plant and equipment
Property, plant and equipment were carried in the statement of financial position prepared in accordance with UK GAAP on the basis of historical cost less depreciation. The Group has elected to regard those values as deemed cost at the date of the transition.

Decomissioning liabilities included in the cost of property, plant and equipment (IFRS 1.D21-D21A)
Under IAS 16 the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.The Group accounts for changes in decommissioning liability in accordance with IFRIC 1 that requires specified changes in a decommissioning, restoration or similar liability to be added or deducted from the cost of the asset to which it relates.

A decommissioning liability is measured in accordance with IAS 37 at the date of transiton to IFRS, and an estimate of the amount to include in the cost of the asset when the liability first arose is made at the date of transition to IFRS. A decommissioning liability is measured at the date of tranisiton to IFRS, and any difference between this amount and the previous GAAP carrying amount is recognised in retained earnings.

Basis of consolidation
The consolidated income statement and statement of financial position include the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of the subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes. Intra-group sales and profit are eliminated fully on consolidation. On acquisition of a subsidiary, all of the subsidiaries assets and liabilities that exist at the date of acquisition are recorded at their full values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiaries are reflected in the post-acquisition financial statements.

1 Accounting policies (continued)

Going concern

The Group and Company made a profit in the year and the Group is also in a net liabilities position. The directors have fully considered the risks and uncertainties of the Group and Company's cash flow forecasts and projections, taking into account reasonable possible changes in average wind speeds, expected increased revenue due to new power purchase agreements and repayment obligations in respect of its bank loans, which are disclosed in note 13 and 19. The total repayments contractually due on bank debt is £88,136,193 and on Deep Discount Bonds are £122,859,996.

On this basis, the directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Revenue recognition

Revenue represents income from fixed price contracts relating to the generation of electricity inclusive of associated benefits for Renewable Obligation Certificates (ROCS) and Levy Exemption Certificates (LECs) where applicable. Revenue also includes asset manufacturer warranty income claims for lost generation. Revenue is stated net of value added tax and is generated entirely within the United Kingdom. Revenue is recognised as income in the period in which it is being earned, when generation meets the grid supply point at which time it is measured by the appointed meter operator agent.

The company recognises revenue when:
- The amount of revenue can be reliably measured;
- It is probable that future economic benefits will flow to the entity;

Revenue represents income from fixed price contracts relating to the generation of electricity inclusive of associated benefits for Renewable Obligationn Certigficates (ROCs) and Levy Exemption Certificates (LECs) where applicable. Revenue also includes asset manufacturer warranty income claims for lost generation. Revenue is generated entirely within the United Kingdom and is recognised in the period in which it is earned.

Government grants

Capital based government grants are treated as deferred income and credited to operating profit as an offset to depreciation expense over the expected useful economic life of the assets to which they relate.

Finance income and costs

Finance income

Finance income is earned on cash deposits and is recognised as income in the period in which it is earned.

Finance cost

The difference between the issue price and the nominal value on the Deep Discount Bonds ("DDB's") is the discount value which are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Interest payable on bank loans is charged to the income statement as it is incurred.

Issue cost in respect of the DDB's are amortised using the effective interest rate method based on the term of the DDB's.

1 Accounting policies (continued)

Foreign currency transactions and balances

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling at the exchange rate ruling at the date of the transaction unless related or matching forward exchange contracts have been entered into, when the rate specified in the contract is used. Monetary assets and liabilities in foreign currencies that are not covered by hedging arrangements are translated into sterling at the rates of exchange ruling at the balance sheet date and any differences arising on the retranslation of these amounts are taken to the profit and loss account in the year in which they arise.

Tax

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

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events that result in an obligation to pay more tax in the future have occurred by the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis to write off the cost less the estimated residual value of the assets by equal instalments over their estimated useful economic life.

At 31 December 2013 the total useful economic life of each wind farm was amended to between 20 and 25 years after a reassessment exercise was performed.

1 Accounting policies (continued)

Asset class	Depreciation method and rate
Operating wind farms	Straight line basis over 20-25 years

Impairment
At each statement of financial position date, management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments
Fixed asset investments

All fixed asset investments are stated at cost less any provisions for impairment in value. A review of the investments held is performed to determine whether an impairment trigger has occurred during the year. Any impairment in the value of the investment is charged to the income statement in the year it is identified. The investments are reviewed for impairment as and when an indicator arises.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accrued income
Accrued income is income which has been earned but not yet received. Income is recognised in the accounting period in which it is earned rather than in the subsequent period in which it will be received.

Inventories
Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, or net realisable value which is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Inventories are valued at the weighted average cost method.

Inventories relates to components and spares held by the Group in relation to the windfarm assets.

1 Accounting policies (continued)

Provisions

Decommissioning of wind farms

A provision is made for the decommissioning of the wind farms based on the Group's best estimate of the cost of decommissioning. These costs are a contractual obligation when the planning consent is granted to ensure appropriate restoration of the land/seabed.

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 and value of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the wind farm cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

As at 31 December 2015, after a reassessment of the useful economic life of each operating wind farm, decommissioning is expected to take place between 2017 and 2026.

Leases

Operating leases

Rentals payable under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight line basis over the term of the lease, even if the payments are not made on that basis.

1 Accounting policies (continued)

Financial assets and liabilities
Deep Discount Bonds are recognised at the date of issue under the terms of the instrument at a discount to their par value less issue costs. The discount is then unwound back to their par value over the period to maturity and charged to the income statement in the accounting period to which it relates via the effective interest method. Deep Discount Bonds are derecognised on redemption.

Bank loans are recognised on drawdown of funds under the terms of the loan agreement at the fair value of the principal on the drawdown date less issue costs. Interest payable is charged to the income statement as it is incurred using the effective interest method. Bank loans are derecognised on repayment of principal.

The issue costs are netted against the financial instruments to which they relate.

The early redemption charge (payable if early repayment of Deep Discount Bonds are made) is charged straight to the income statement in the accounting period to which it relates.

The Group uses financial instruments, such as interest rate swaps for hedging purposes. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial liabilities when the fair value is negative.

Related party transactions
The Company is exempt under the terms of IAS 24 from disclosing related party transactions with entities that are part of the Zephyr Investments Limited group. Note 20 details transactions the Company entered into, in the ordinary course of business with other related parties.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Hedging reserve
As a result of the transition to IFRS, the Group recognised derivative financial instruments on the statement of financial position in respect of interest rate swaps, which led to an increase in liabilities of £12,616,223 at 1 January 2014. A corresponding adjustment was made to the hedging reserve in accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards. Amounts recorded in the hedging reserve are amortised to the income statement on a straight line basis over the life of the related instrument.

Contingent Liabilities
Zephyr assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws. Whilst Zephyr believes it has adequately provided for the outcome of these matters, future results may include favourable or unfavourable adjustments to these tax liabilities in the period the assessments are made or resolved.

1 Accounting policies (continued)

Critical accounting judgements and estimates

Property, plant and equipment
Property, plant and equipment also represent a significant proportion of the assets of the Group being 79% (2014: 81%) of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful economic life
The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the profit and loss account. The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended.

Decommissioning provision
Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis.The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. While the Group uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the Group applies annual inflation rates of 1.3% to 1.76% and annual discount rates of 0.36% to 1.98%.

Furthermore, a judgement has been made on whether it is probable that Fred Olsen Renewables will exercise their option to buy Windy Standard, at which point the decommissioning obligation is transferred to them.

Valuation of derivatives
The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is based either on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

The principal methods and assumptions used by the Group in estimating the fair value of the following financial instruments are as follows:

- The fair value of borrowings, which are carried at amortised cost, is estimated using discounted cash flow calculations based upon the Group's current borrowing rates based upon the bank's current borrowing rate
- Fair value measurements for derivative financial instruments (interest rate swaps) are obtained from quoted market prices

2 Impairment charge

The analysis of the group's impairment charge for the year is as follows:

	2015 £	2014 £
Impairment Charge	-	12,456,793

During the year ended 31 December 2014 management reviewed the property, plant and equipment for indicators of impairment and found that the assets in North Hoyle wind farm rendered further investigation. The outcome of the review resulted in the Group recognising an impairment loss of £12,456,793 in 2014. In calculating the recoverable amount, the Group projected cash flows over the remaining life of the assets. The Group used a growth rate in line with an industry calculation for stand-alone electricity generating businesses and subsequently discounted the cash flows using a WACC rate of 9%. Further, the impairment relates to a fair value adjustment held at Group level, meaning that no further adjustment was required in any subsidiary company. There was no impairment charge required in relation to assets at North Hoyle for the year ended 31 December 2015.

3 Operating profit

Arrived at after charging/(crediting)

	2015 £	2014 £
Depreciation expense	19,348,625	21,029,971
Exceptional item - Derecognition of decommissioning assets and provision in Windy Standard Ltd	(1,100,479)	-
Audit services - Company	9,655	5,265
Release of the government grant	(499,658)	(499,658)
Audit services - Group (excluding company)	135,161	78,973
Operating lease expense - land rent	2,675,816	2,345,837

4 Finance income and costs

	2015 £	2014 £
Finance income		
Change in fair value of interest rate derivatives	(3,547,889)	(442,489)
Interest income on bank deposits	(92,693)	(89,466)
Total finance income	(3,640,582)	(531,955)
Finance costs		
Amortisation of debt issue costs	(306,015)	(96,337)
Unwind of discount on Deep Discount Bonds	19,722,759	18,853,474
Debt interest	5,995,613	6,873,821
Charge on early redemption of Deep Discount Bonds	10,643,353	7,580,269
Amortisation of hedging reserve	3,411,572	4,710,101
Decommissioning provision – unwind of discount	507,211	806,953
Total finance costs	39,974,493	38,728,281

Following a clarification of the existing provisions in the DDB agreement with the bond holders, management applied an early redemption charge in 2014 and 2015. This is calculated from a discount rate calculated using the simple average of The Modified Spens Clause and Risk Premium approach which relates to the redemptions made in 2014 and 2015. Such a charge will be applied to future early redemptions.

5 Directors' remuneration

Directors are seconded to the Group by their respective shareholders. In consideration for their services, the Group paid £144,900 (2014: £140,141).

6 Income tax

Tax charged/(credited) in the income statement:

	2015 £	2014 £
Current taxation		
UK corporation tax	2,961,513	764,267
UK corporation tax adjustment to prior periods	-	469,118
	2,961,513	1,233,385
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,142,948)	(1,063,377)
Arising from changes in tax rates and laws	(1,534,594)	78,052
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	346,981
Total deferred taxation	(2,677,542)	(638,344)
Tax expense in the income statement	283,971	595,041

The debit for the full year can be reconciled to the profit/(loss) in the income statement as follows:

	2015 £	2014 £
Profit/(loss) before tax	769,969	(28,734,611)
Corporation tax at the standard UK corporation tax rate of 20.25% (2014: 21.5%)	161,341	(6,177,941)
Increase (decrease) in current tax from adjustment for prior periods	-	1,750,486
Increase (decrease) from effect of different UK tax rates on some earnings	(1,534,594)	(2,209)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	1,657,221	5,024,705
Increase (decrease) from transfer pricing adjustments	3	-
Total tax charge	283,971	595,041

Zephyr Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

Income tax (continued)

Group

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £	Capitalised revenue expenditure £	Revaluation of financial liabilities £	Government Grant £	Total £
As at 1 January 2014	18,598,721	(44,609)	(2,523,245)	1,187,543	14,843,324
Prior year adjustment	-	-	339,644	-	339,644
Charge to income statement	(1,219,958)	4,461	-	237,509	(977,988)
As at 1 January 2015	17,378,763	(40,148)	(2,183,601)	(950,034)	14,204,980
Charge to income statement	(1,250,802)	4,516	2,176	101,164	(1,142,948)
Charge to other comprehensive income	-	-	854,831	-	854,831
Effect of change in tax rate	(1,599,257)	3,514	(22,629)	83,778	(1,534,594)
As at 31 December 2015	14,528,704	(32,119)	(1,349,224)	(765,092)	12,382,269

7 Property, plant and equipment

Group

	Decommissioning asset £	Operating wind farms £	Total £
Cost or valuation			
At 1 January 2014	23,971,434	399,030,646	423,002,080
Change in estimates	2,296,798	-	2,296,798
At 31 December 2014	26,268,232	399,030,646	425,298,878
At 1 January 2015	26,268,232	399,030,646	425,298,878
Change in estimate	(277,520)	-	(277,520)
Derecognition of decommissioning asset	(1,527,773)	-	(1,527,773)
At 31 December 2015	24,462,939	399,030,646	423,493,585
Depreciation			
At 1 January 2014	10,924,300	186,909,896	197,834,196
Charge for year	1,832,243	19,197,728	21,029,971
Impairment	-	12,456,793	12,456,793
At 31 December 2014	12,756,543	218,564,417	231,320,960
At 1 January 2015	12,756,543	218,564,417	231,320,960
Charge for the year	1,782,180	17,566,445	19,348,625
Derocognition of decommissioning asset	(1,030,220)	-	(1,030,220)
At 31 December 2015	13,508,503	236,130,862	249,639,365
Carrying amount			
At 31 December 2015	10,954,436	162,899,784	173,854,220
At 31 December 2014	13,511,689	180,466,229	193,977,918
At 1 January 2014	13,047,134	212,120,750	225,167,884

8 Investments

Summary of the company investments

	2015 £	2014 £
Investments in subsidiaries	6,299,651	4,555,001

Subsidiaries	£
Cost or valuation	
At 1 January 2014	3,799,001
Additions	756,000
At 31 December 2014	4,555,001
At 1 January 2015	4,555,001
Additions	1,744,650
At 31 December 2015	6,299,651
Carrying amount	
At 31 December 2015	6,299,651
At 31 December 2014	4,555,001
At 1 January 2014	3,799,001

Investments comprise shares in group undertakings. All subsidiaries of the Group are listed in note 21 . The Company invested in 1,744,650 ordinary shares of £1 each issued by Headwind Development Services Limited during the year giving a total consideration of £1,744,650.

9 Inventories

	Group		
	31 December 2015 £	31 December 2014 £	1 January 2014 £
Consumables	1,971,982	1,412,451	1,390,778

The cost of group inventories recognised as an expense in the year amounted to £93,330 (2014 - £257,463). This is included within cost of sales.

10 Trade and other receivables

	Group 31 December 2015 £	31 December 2014 £	1 January 2014 £
Trade receivables	125,027	1,993,578	158,800
Accrued income	13,650,409	11,614,290	10,025,463
Prepayments	463,730	432,918	1,414,516
Other receivables	39,884	-	-
Total current trade and other receivables	14,279,050	14,040,786	11,598,779

	Company 31 December 2015 £	31 December 2014 £	1 January 2014 £
Amounts owed from Group undertakings	4,031,572	6,958,906	6,050,769
Other receivables	6	5	-
Total current trade and other receivables	4,031,578	6,958,911	6,050,769

10 Trade and other receivables (continued)

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

Non current trade and other receivables

	Company 31 December 2015 £	(As restated) Company 31 December 2014 £	(As restated) Company 1 January 2014 £
Deep Discount Bonds	124,904,606	123,507,300	117,725,312

The Company disclosure for amounts owed by Group undertakings are unsecured, interest free and are repayable on demand. The balance includes £Nil (2014: £46,105) of group relief receivable.

No provision for impairment of trade receivables (2014: £Nil) were required within the Group and Company accounts. The Company's policy is to review any past-due receivables based on management's knowledge of each counter-party, and provide for anything where they believe there is a risk of non-payment.

11 Cash and cash equivalents

	Group		
	31 December 2015 £	31 December 2014 £	1 January 2014 £
Cash at bank	16,646,108	13,775,487	15,173,071

	Company		
	31 December 2015 £	31 December 2014 £	1 January 2014 £
Cash at bank	6,098	4,030	3,990

At 31 December 2015, Group cash balances with banks include £1,461,555 (2014: £1,456,034) of cash that is subject to either a legal assignment or a charge in favour of a third party. It is expected that they will be released in line with the decommissioning of the wind farms to which the funds relate.

12 Share capital

Fully paid ordinary shares

	31 December 2015 £	31 December 2014 £	1 January 2014 £
Share Capital	719,964	545,499	469,899
Share Premium	5,579,685	4,009,500	3,329,100
Total	6,299,649	4,554,999	3,798,999

	Number of Shares	Share Capital £	Share Premium £
Balance at 1 January 2014	469,899	469,899	3,329,100
26,100 fully paid ordinary shares	26,100	26,100	234,900
49,500 fully paid ordinary shares	49,500	49,500	445,500
Balance at 31 December 2014	545,499	545,499	4,009,500
1,744,650 fully paid ordinary shares	1,744,650	174,465	1,570,185
Balance at 31 December 2015	2,290,149	719,964	5,579,685

New shares allotted

During the year 1,744,650 Ordinary shares having an aggregate nominal value of £1 were allotted for an aggregate consideration of £1,744,650.

13 Loans and borrowings

	31 December 2015 £	Group 31 December 2014 £	1 January 2014 £
Non-current loans and borrowings			
Bank borrowings	71,847,511	88,228,195	104,941,107

	31 December 2015 £	Group 31 December 2014 £	1 January 2014 £
Current loans and borrowings			
Bank borrowings	16,288,682	16,712,912	16,259,272

13 Loans and borrowings (continued)

	Group 31 December 2015 £	Group 31 December 2014 £	Group 1 January 2014 £
Due within one year	(16,288,682)	(16,712,912)	(16,259,272)
Due in more than one year but less than two	(15,616,572)	(16,240,562)	(16,712,912)
Due in more than two years but less than three	(15,930,531)	(15,641,567)	(16,240,562)
Due in more than three years but less than four	(16,186,642)	(15,956,162)	(15,641,567)
Due in more than four years but less than five	(16,326,376)	(16,212,768)	(15,956,162)
Due in more than five years	(7,787,389)	(24,177,196)	(40,389,904)
Total bank loans	(88,136,193)	(104,941,107)	(121,200,379)

13 Loans and borrowings (continued)

Bank loan repayments are based on a debt service coverage requirement. The bank loans have a floating interest rate of LIBOR plus 90 basis points.

Exposure to interest rate risk arising from the floating interest rate on the bank loans has been mitigated by a floating to fixed interest rate swap as detailed in Note 19.

The total interest payable on the bank loans for the year ended 31 December 2015 was £5,920,563 (2014: £6,873,821).

The fair value of the bank loans as at 31 December 2015 is not considered to be materially different from their nominal values.

Financial instruments (Deep Discount Bonds)
On 29 December 2006, the Group and Company issued unsecured Deep Discount Bonds to the value of £32,212,822, which are redeemable on 17 February 2026 for £600,089,016. This debt carries an implied discount rate of 16.5% per annum for the period of the instrument. The Company repaid £nil during the year and the liability outstanding at the end of 2015 is £81,111,721.

On 17 February 2004, the Group and Company issued unsecured Deep Discount Bonds to the value of £17,841,785, which are redeemable on 17 February 2026 for £564,322,362. This debt carries an implied discount rate of 17.0% per annum for the period of the instrument. The Company repaid £18,325,454 during the year and the liability oustanding at the of 2015 is £41,748,275.

The aggregate amount of the Deep Discount Bonds comprises; £123,325,944 principal less £465,948 issue costs. The issue costs were incurred by one of the subsidiaries in the Group.

The unwinding of the discount is charged to the profit and loss account to the year to which it relates based on the Deep Discount Bonds' implied discount rate.

The instruments in respect of the Deep Discount Bonds require approval from the board to redeem a variable amount of bonds in advance of the redemption date. The amount is determined on a six monthly basis and is dependent on cash being in excess of the Group's forecast working capital requirements.

Following a clarification of the existing provisions in the DDB agreement with the bond holders in 2014, management has applied an early redemption charge in the current and prior year which has been calculated from a discount rate calculated using the simple average of the Modified Spens Clause and Risk Premium approaches and which relates to the redemptions made in 2014 and 2015. Such a charge is expected to be applied to future early redemptions.

14 Derivative financial instruments

	Group 31 December 2015 £	(As restated) Group 31 December 2014 £	(As restated) Group 1 January 2014 £
Opening fair value of Interest rate swaps	12,173,734	12,616,223	12,616,223
Changes in fair value	(3,547,889)	(442,489)	-
Closing fair value of Interest rate swaps	8,625,845	12,173,734	12,616,223

Further details of derivative financial instruments are provided in note 19.

15 Obligations under leases and hire purchase contracts

Group

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £	2014 £
Within one year	882,205	877,414
In two to five years	3,319,005	3,459,827
In over five years	3,669,863	4,378,624
	7,871,073	8,715,865

The amount of non-cancellable operating lease payments recognised as an expense during the year was £882,205 (2014 - £877,414)

The amount of contingent operating lease payments recognised as an expense during the year is £1,793,613 (2014 - £1,468,423).

16 Decommissioning provision

Group

	Group 31 December 2015 £	Group 31 December 2014 £	Group 1 January 2014 £
Opening balance	33,074,227	29,970,476	31,929,552
Increase (decrease) in existing provisions	(277,520)	2,296,798	(2,472,350)
Increase (decrease) due to passage of time or unwinding of discount	507,217	806,953	513,274
Derecognition of provision at Windy Standard	(1,598,035)	-	-
Closing balance	31,705,889	33,074,227	29,970,476

The provision for the decommissioning of the wind farm represents the net present value of the Group's best estimate of the costs to decommission the wind farm at the end of its useful life. The provisions were re-estimated at the end of the year to reflect current management expectations of the future liability.

As a result of an increased likelihood that the Windy Standard wind farm will be sold in 2017 upon exercise of an existing option held by Fred Olsen Renewables, the decommissioning asset and provision have been derecognised as at 31 December 2015 and should the option not be exercised, the decommissioning provision and related asset would need to be rerecognised.

The closing provision has been discounted to its present value for each wind farm separately, based on the yield on a UK gilt maturing at the end of each wind farm's economic life (between 2017 and 2026).

17 Government grant

North Hoyle wind farm received a capital grant of £10,000,000 in 2004. This is being released on a straight line basis over the wind farm estimated useful economic life of 20 years.

	Group 31 December 2015 £	Group 31 December 2014 £	Group 1 January 2014 £
Amounts brought forward	4,750,171	5,249,829	5,749,849
Released to the income statement during the year	(499,658)	(499,658)	(499,660)
Amounts carried forward	4,250,513	4,750,171	5,249,829

18 Trade and other payables

	Group		
	31 December 2015 £	31 December 2014 £	1 January 2014 £
Trade payables	1,562,921	2,732,431	70,447
Accrued expenses	5,447,131	5,403,100	4,400,081
Social security and other taxes	2,017,788	1,339,877	1,379,805
Corporation tax	2,370,261	243,050	948,158
	11,398,101	9,718,458	6,798,491

	Company		
	31 December 2015 £	31 December 2014 £	1 January 2014 £
Amounts owed to Group undertakings	2,515,673	5,315,856	4,287,000

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

19 Financial instruments

Group

Financial liabilities

Derivative financial liabilities at fair value through profit and loss designated on initial recognition

	Group Fair value 31 December 2015 £	(As restated) Group Fair value 31 December 2014 £	(As restated) Group Fair value 1 January 2014 £
Interest rate swaps designated at FVTPL	8,625,845	12,173,734	12,616,223

Valuation methods and assumptions

Interest rate swaps:
The Group's activities expose it to interest rate risk. The Group's risk management programme seeks to minimise potential adverse effects on the Group's financial performance arising from the unpredictability of financial markets.

The Group's interest rate risk arises from long term borrowing at variable rates.

The Group manages its interest rate risk by using floating to fixed interest rate swaps. Using interest rate swaps the Group agrees with other parties to exchange half yearly the difference between the fixed contract rates and floating rate amounts calculated by reference to the notional principal amounts.

The Group's policy is to hedge 100% of its net exposure to interest rate risk, taking into account the inherent hedge from cash balances. 94% of the bank loan is at fixed rates after taking account of interest rate swaps.

The nominal value of the swaps as at 31 December 2015 was £91,739,300 (2014: £110,847,658)

At 31 December 2015 the fixed interest rates varied from 4.62% to 5.30% (as at 31 December 2014 fixed rates varied from 4.62% to 5.30%).

As at 31 December 2015 the fair value of the interest rate swaps creates a liability of £8,625,845 (2014: £12,173,734) as the instrument is 'out of the money' at the balance sheet date. This has been calculated using mark-to-market data provided by third parties.

The maturity dates of the interest rate swaps are:

Tranche B loan (2005 acquisitions) 15 June 2021
Tranche B loan (2006 acquisitions) 15 December 2021
Tranche C loan 15 December 2020

Currency exposure

All of the Group's trading activities are located in the United Kingdom. However, there are some services are purchased in non-sterling currencies. Accordingly the majority of the Group's transactions are denominated in sterling and do not give rise to a foreign currency exposure.

19 Financial instruments (continued)

Financial liabilities at amortised cost

	Group Carrying value 31 December 2015 £	(As restated) Group Carrying value 31 December 2014 £	(As restated) Group Carrying value 1 January 2014 £
Deep Discount Bonds	122,859,996	121,738,799	116,183,074

19 Financial instruments (continued)

Fair value hierarchy
IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.

Level 3 - inputs for the asset of liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	Group Fair value 31 December 2015	(As restated) Group Fair value 31 December 2014	(As restated) Group Fair value 1 January 2014
Level 2			
Derivative financial instruments	**£**	**£**	**£**
Interest rate swaps designated at FVTPL	8,625,845	12,173,734	12,616,223

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior year.

Company

Financial assets
Loans and receivables

	Company Carrying value 31 December 2015	(As restated) Company Carrying value 31 December 2014	(As restated) Company Carrying value 1 January 2014
	£	**£**	**£**
Deep Discount Bonds	124,904,606	123,507,300	117,725,312

There is an intercompany relationship between Zephyr Investments Limited and Beaufort Wind Limited regarding the Deep Discounted Bonds. The Company subscribed bonds to Beaufort Wind Limited of the same value and terms as those issued by the Group in 2004, 2005 & 2006.

Financial liabilities

Financial liabilities at amortised cost

	Company Carrying value 31 December 2015	(As restated) Company Carrying value 31 December 2014	(As restated) Company Carrying value 1 January 2014
	£	**£**	**£**
Deep Discount Bonds	124,904,606	123,507,300	117,725,312

19 Financial instruments (continued)

The Company enters into derivative financial instruments to manage its exposure to interest rate risk using interest rate swaps.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

There have been no movements between categories of financial instruments.

20 Related party transactions

Summary of transactions with other related parties

During the year the Group entered into the following transactions, in the ordinary course of business, with other related parties. On 31 December 2015 the following balances were held with related parties:

	Related party transactions £	31 December 2015 receivable/(payable) £
RWE Innogy UK Limited: scheduled maintenance	2,210,613	(278,538)
RWE Innogy UK Limited: unscheduled maintenance	2,054,753	(902,466)
RWE Innogy UK Limited: other income	30,000	-
JP Morgan Investment Management Inc: Directors Fees	71,497	(113,750)
M&G Investment Management Limited: Directors Fees	70,000	-
RWE Innogy UK Limited: management services agreement	2,523,386	(1,254,294)
RWE Innogy UK Limited: recharge telephone charges	113,199	(17,770)
Npower Limited: electricity purchases	348,277	(79,994)
Npower Limited: electricity sales	52,747,197	6,957,810
RWE Innogy UK Limited: repowering services agreement	1,688,488	(1,450,898)
RWE Innogy UK Limited: legal fees recharge	24,639	(24,639)
RWE Innogy UK Limited: fuel recharge	77,121	-
JP Morgan Investment Management Inc: DDB Interest & Early Redemption Charge	6,883,917	-
M&G Investment Management Limited: DDB Interest & Early Redemption Charge	6,883,917	-
RWE Innogy UK Limited: DDB Interest & Early Redemption Charge	6,883,917	-
	82,610,921	2,835,461

20 Related party transactions (continued)

Infracapital Partners LP, acting by its manager M&G Investment Management Limited, and Infrastructure Investments Fund (IIF), being advised by JP Morgan Investment Management Inc, are investors in Zephyr Investments Limited.

RWE Innogy UK Limited is a subsidiary of RWE Innogy UK Holdings Limited which is part of the RWE Group.

Npower Limited is a subsidiary of RWE Npower plc which is part of the RWE Group.

As at 31 December 2015, 33.33% of Zephyr's share capital was owned by Zelda Acquisitions Limited (subsidiary of M&G Investment Management Limited), 16.67% by IIF Zelda DDB Short Term UK Holdco Limited, 16.66% by IIF Int'l Holding LP (subsidiaries of JP Morgan investment Management Inc) and 33.33% by RWE Innogy UK Holdings Limited and therefore at that date there was no single company with a controlling interest.

21 Information on subsidiaries

Subsidiaries	Country of Incorporation	Holding	Share Capital Held	Nature of business
Beaufort Wind Limited	England & Wales	Ordinary Shares	100%	Generation and sale of electricity
NWP Offshore Limited	England & Wales	Ordinary Shares	100%	Generation and sale of electricity
Causeymire Windfarm Limited	Scotland	Ordinary Shares	100%	Generation and sale of electricity
Bears Down Windfarm Limited	England & Wales	Ordinary Shares	100%	Generation and sale of electricity
Windy Standard Limited	Scotland	Ordinary Shares	100%	Generation and sale of electricity
Farr Windfarm Limited	Scotland	Ordinary Shares	100%	Generation and sale of electricity
Headwind Taff Ely Wind Farm Limited	England & Wales	Ordinary Shares	100%	Wind Farm Repowering
Headwind Beinn Ghlas Wind Farm Limited	England & Wales	Ordinary Shares	100%	Wind Farm Repowering
Headwind Kirkby Moor Wind Farm Limited	England & Wales	Ordinary Shares	100%	Wind Farm Repowering
Headwind Lambrigg Wind Farm Limited	England & Wales	Ordinary Shares	100%	Wind Farm Repowering
Headwind Development Services Limited	England & Wales	Ordinary Shares	100%	Repowering Management services
Ffynnon Oer Windfarm Limited	England & Wales	Ordinary Shares	100%	Generation and sale of electricity
Polwhat Rig Windfarm Limited	Scotland	Ordinary Shares	100%	Non trading
Gallow Rig Windfarm Limited	Scotland	Ordinary Shares	100%	Non trading

22 Transition to IFRS

The transition to IFRS has no impact on the Group's business strategy, nor on the cash flows generated by the business. The accounting adjustments required on transition to IFRS relate to the recognition of liabilities on the statement of financial position:

• Recognition of derivative financial instrument (interest rate swap) liabilities on the Statement of financial position with movements in fair value recognised in the income statement and other comprehensive income. This has resulted in liabilities of £12,616,223 and £12,173,734 recognised on 1 January 2014 and 31 December 2014
• Adjustments to issuance costs of Deep Discount Bonds has led to a decrease in non current liabilities of £989,843 on 1 January 2014 and £1,255,729 on 31 December 2014 with the corresponding adjustment made to the income statement
• The related deferred tax impact of the above adjustments has led to a decrease in deferred tax liabilities of £2,523,245 on 1 January 2014 and a movement (increase) in deferred tax liabilities of £339,643 on 31 December 2014.

22 Transition to IFRS (continued)

Consolidated Statement of Financial Position at 1 January 2014

	As originally reported £	Change to transition adjustment £	As restated £
Assets			
Non-current assets			
Property, plant and equipment	225,167,884	-	225,167,884
Current assets			
Inventories	1,390,778	-	1,390,778
Trade and other receivables	11,598,779	-	11,598,779
Cash and cash equivalents	15,173,071	-	15,173,071
	28,162,628	-	28,162,628
Total assets	253,330,512	-	253,330,512
Equity and liabilities			
Current liabilities			
Trade and other payables	6,798,491	-	6,798,491
Loans and borrowings	16,259,272	-	16,259,272
	23,057,763	-	23,057,763
Non-current liabilities			
Loans and borrowings	104,941,107	-	104,941,107
Derivative financial instruments	-	12,616,223	12,616,223
Decommissioning provision	29,970,476	-	29,970,476
Government grants	5,249,829	-	5,249,829
Other non-current financial liabilities	117,172,917	(989,843)	116,183,074
Deferred tax liabilities	17,366,569	(2,523,245)	14,843,324
	274,700,898	9,103,135	283,804,033
Equity			
Share capital	469,899	-	469,899
Share premium	3,329,100	-	3,329,100
Hedging reserve	-	(12,616,223)	(12,616,223)
Retained earnings	(48,227,148)	3,513,088	(44,714,060)
Equity attributable to owners of the company	(44,428,149)	(9,103,135)	(53,531,284)
Total equity and liabilities	297,758,661	9,103,135	306,861,796

22 Transition to IFRS (continued)

Consolidated Statement of Financial Position at 31 December 2014

	As originally reported £	Transition adjustment £	As restated £
Assets			
Non-current assets			
Property, plant and equipment	193,977,918	-	193,977,918
Current assets			
Inventories	1,412,451	-	1,412,451
Trade and other receivables	14,040,786	-	14,040,786
Cash and cash equivalents	13,775,488	-	13,775,488
	29,228,725	-	29,228,725
Total assets	223,206,643	-	223,206,643
Equity and liabilities			
Current liabilities			
Trade and other payables	9,718,458	-	9,718,458
Loans and borrowings	16,712,912	-	16,712,912
	26,431,370	-	26,431,370
Non-current liabilities			
Loans and borrowings	88,228,195	-	88,228,195
Derivative financial instruments	-	12,173,734	12,173,734
Provisions	33,074,227	-	33,074,227
Government grant	4,750,171	-	4,750,171
Other non-current financial liabilities	122,994,528	(1,255,729)	121,738,799
Deferred tax liabilities	16,388,583	(2,183,601)	14,204,982
	265,435,704	8,734,404	274,170,108
Equity			
Share capital	545,499	-	545,499
Share premium	4,009,500	-	4,009,500
Hedging reserve	-	(7,906,122)	(7,906,122)
Retained earnings	(73,215,430)	(828,282)	(74,043,712)
Equity attributable to owners of the company	(68,660,431)	(8,734,404)	(77,394,835)
Total equity and liabilities	291,867,074	8,734,404	300,601,478

22 Transition to IFRS (continued)

Consolidated Income Statement for the year ended 31 December 2014

	Note	As originally reported £	Transition adjustment £	As restated £
Revenue		72,724,414	-	72,724,414
Cost of sales		(49,904,355)	-	(49,904,355)
Gross profit		22,820,059	-	22,820,059
Administrative expenses		(901,550)	-	(901,550)
Impairment charge		(12,456,793)	-	(12,456,793)
Operating profit		9,461,716	-	9,461,716
Finance income		89,466	-	89,466
Finance costs		(34,284,066)	(4,001,726)	(38,285,792)
Net finance income / cost		(34,194,600)	(4,001,726)	(38,196,326)
Loss before tax		(24,732,884)	(4,001,726)	(28,734,610)
Income tax		(255,398)	(339,643)	(595,041)
Loss for the financial year		(24,988,282)	(4,341,369)	(29,329,651)

Explanation of accounting adjustments on the consolidated income statement as a result of IFRS transition (31 December 2014)

-Recognition of derivative financial instrument (interest rate swap) has led to an increase to interest cost of £4,267,612 as a result of the fair value movement in the year and the amortisation of the hedging reserve recognised on transition

-Adjustment of issue costs relating to Deep Discount Bonds has led to a decrease in interest costs of £265,886

-Increase to tax expense of £339,643 as a result of deferred tax adjustments made in relation to the above.

Company transition

The statement of financial position as at 1 January 2014 and 31 December 2014 for the company Zephyr Investments Limited did not require any adjustments following the transition to IFRS.