

ZEPHYR INVESTMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 318 DAYS ENDED 31 DECEMBER 2004



Registered Number 4712921

Zephyr Investments Limited

Directors' report and financial statements for the 318 days ended 31 December 2004

Contents	Page
Directors' report	1 - 3
Independent auditors' report	4
Group Profit and loss account	5
Group Balance sheet	6
Company Balance sheet	7
Group Cash flow statement	8
Notes to the financial statements	9 - 20
Contact details and advisory information	21

Directors' report

The directors present their annual report and audited financial statements of both the company, and for the group of companies (together "the group") for the 318 days ended 31 December 2004.

Principal activities

The principal activity of the company is the investment in electricity generation projects which utilise wind power. The principal activities of its subsidiary Beaufort Wind Limited are the generation and sale of electricity generated by operating wind farms. The company's other subsidiaries are non trading.

Business review

The business continues to invest in Beaufort Wind Limited which owns and operates a portfolio of 11 wind farms in the UK. The investment performed in line with expectations in 2004.

Future Developments

The business expects to make further investments in Beaufort Wind Limited in the coming year associated with the acquisition of wind farms.

Results for the period

The results for the period are dealt with on page 5 of the financial statements. The group loss on ordinary activities after taxation for the 318 days ended 31 December 2004 was £2,649,292 (328 days ended 17 February 2004: profit £4,610,504) and the company profit on ordinary activities after taxation for the same period was £521,145 (328 days ended 17 February 2004: loss £616,685).

Dividends

The directors have not recommended payment of a dividend (328 days ended 17 February 2004: Dividend £33,500).

Directors' Report (continued)

Directors and their interests

The directors who held office during the period or who were appointed before the AGM were as follows:

S Abboud
V B Beckers
J Dennersmann (Resigned 13 December 2004)
E A Lazarus
H Thompson
A Zafar
Q Zaman
D H Shorthouse
K McCullough
K Akhurst

According to the register required to be kept under section 325 of the Companies Act 1985, none of the directors held any interest in the share options or debentures of RWE Npower plc ("npower") group companies incorporated in the UK at the end of the financial period. As permitted by statutory instrument, the register does not include shareholdings of directors in companies incorporated outside Great Britain.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 confirm that they have complied with the above requirements in preparing the financial statements.

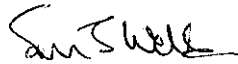
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

Auditors

Pursuant to Section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually.

By order of the board



S J Wells
Company Secretary

Third Floor
Reading Bridge House
Reading Bridge
Reading
Berkshire
RG1 8LS

Independent auditors' report to the members of Zephyr Investments Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheets, cashflow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

19 May 2005.

Group profit and loss account
For the 318 days ended 31 December 2004

	Note	318 days ended 31 December 2004 £	328 days ended 17 February 2004 £
Turnover		13,634,644	13,191,841
Cost of sales		(11,465,173)	(6,335,318)
Profit on ordinary activities before interest and taxation	2	2,169,471	6,856,523
Interest receivable and similar income		392,953	20,559
Interest payable and similar charges		(6,926,279)	(805)
(Loss)/profit on ordinary activities before taxation		(4,363,855)	6,876,277
Tax on (loss)/profit on ordinary activities	5	1,714,563	(2,265,773)
(Loss)/profit on ordinary activities after taxation		(2,649,292)	4,610,504
Dividends paid and proposed	6	-	(33,500)
(Loss)/profit for the financial period		(2,649,292)	4,577,004

The above results all arise from continuing operations.

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

The accounting policies and notes on pages 9 to 20 form an integral part of these financial statements.

Group balance sheet
31 December 2004

		31 December 2004	17 February 2004
	Note	£	£
Fixed assets			
Intangible assets	7	10,787,452	12,575,082
Tangible assets	8	<u>46,422,416</u>	<u>50,081,473</u>
		57,209,868	62,656,555
Current assets			
Stock	10	145,472	101,472
Debtors: amounts falling due within one year	11	3,570,323	4,204,793
Cash at bank and in hand	13	<u>7,279,931</u>	<u>20,129,144</u>
Total current assets		10,995,726	24,435,409
Creditors: amounts falling due within one year	14	<u>(8,312,498)</u>	<u>(63,540,784)</u>
Net current assets / (liabilities)		2,683,228	(39,105,375)
Total assets less current liabilities		59,893,096	23,551,180
Creditors: amounts falling due after more than one year	15	(57,477,835)	(17,841,785)
Provisions for liabilities and charges	16	<u>(387,550)</u>	<u>(1,032,392)</u>
Net Assets		<u>2,027,711</u>	<u>4,677,003</u>
Capital and reserves			
Called up share capital	17	99,999	99,999
Profit and loss account	18	<u>1,927,712</u>	<u>4,577,004</u>
Equity shareholders' funds	19	<u>2,027,711</u>	<u>4,677,003</u>

The financial statements on pages 5 to 20 were approved by the board of directors and signed on its behalf by

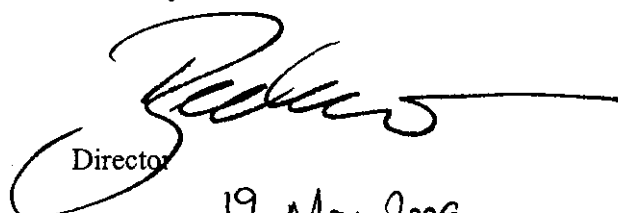

Director

19 May 2005

Company balance sheet
31 December 2004

	Note	31 December 2004 £	17 February 2004 £
Fixed assets			
Investments	9	9,555,522	8,909,522
		<u>9,555,522</u>	<u>8,909,522</u>
Current assets			
Debtors: amounts falling due within one year	11	2,841,235	45,338,435
Debtors: amounts falling due after more than one year	12	14,905,239	17,841,785
Cash at bank and in hand		420	33,979
		<u>17,746,894</u>	<u>63,214,199</u>
Total current assets			
		17,746,894	63,214,199
Creditors: amounts falling due within one year	14	(12,392,718)	(54,798,622)
		<u>5,354,176</u>	<u>8,415,577</u>
Net current assets			
		5,354,176	8,415,577
Total assets less current liabilities		14,909,698	17,325,099
Creditors: amounts falling due after more than one year	15	(14,905,239)	(17,841,785)
		<u>4,459</u>	<u>(516,686)</u>
Net assets / (liabilities)			
		4,459	(516,686)
Capital and reserves			
Called up share capital	17	99,999	99,999
Profit and loss account	18	(95,540)	(616,685)
		<u>4,459</u>	<u>(516,686)</u>
Equity shareholders' funds	19		
		4,459	(516,686)

The financial statements on pages 5 to 20 were approved by the board of directors and signed on its behalf by


Director
19 May 2005

Group Cash Flow Statement
For the 318 days ended 31 December 2004

		318 days ended 31 December 2004	328 days ended 17 February 2004
	Note	£	£
Net cash inflow from operating activities	20	7,944,056	8,434,613
Returns on investments and servicing of finance			
Interest received		392,953	20,559
Interest paid		(5,470,510)	(805)
Taxation		-	-
Acquisitions and disposals			
Net liabilities acquired with subsidiaries		-	(6,358,007)
Net cash acquired with subsidiary undertaking		-	91,000
Capital expenditure and financial investment		(59,976,992)	-
		<u>(57,110,493)</u>	<u>2,187,360</u>
Financing			
Issue of shares		-	99,999
Increase in debt		46,911,584	17,841,785
Capital element of debt repayments		(2,650,304)	-
		<u>44,261,280</u>	<u>17,941,784</u>
(Decrease) / increase in cash in the period		<u>(12,849,213)</u>	<u>20,129,144</u>

As at 17 February 2004, £704,421 has been reclassified from Taxation to Net cash flow from operating activities.

Reconciliation of net cash flow to movement in net debt

(Decrease) / increase in cash in the period		(12,849,213)	20,129,144
Cash inflow from increase in debt		(44,261,280)	(17,841,785)
Change in net debt resulting from cash flows	21	<u>(57,110,493)</u>	<u>2,287,359</u>
Other non cash movements	21	(1,455,771)	-
Movement in net debt in the period		<u>(58,566,264)</u>	<u>2,287,359</u>
Opening Net debt		2,287,359	-
Closing Net debt		<u>(56,278,905)</u>	<u>2,287,359</u>

Notes to the financial statements for the 318 days ended 31 December 2004

1. Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries sold or acquired are included in the consolidated profit and loss account 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.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost less accumulated depreciation. Depreciation of tangible fixed assets is provided on a monthly basis to write off the cost less the estimated residual value of the assets by equal instalments over their useful economic life (currently estimated at between 9 years 6 months and 17 years 9 months).

Foreign exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial period. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss accounts in the period in which they arise.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Zephyr Investments Limited group.

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 profit and loss account evenly over the term of the lease.

Finance costs

Implied discount attributable to Deep Discount Bonds ("DDB's") is charged to the profit and loss account as it is accrued. Issue costs in respect of capital instruments are recognised in the profit and loss account within interest, allocated to periods over the term of the instrument at a constant rate based on the carrying amount, in accordance with the provisions of Financial Reporting Standard 4.

Fixed asset investments

All fixed asset investments are stated at cost less any provisions for impairments.

Goodwill and intangible fixed assets

Goodwill generated on consolidation of the Zephyr Group has been capitalised and amortised over the terms of the debt (ten years ending 2013).

Stock

Stocks 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.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax, solely within the United Kingdom.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

2. Operating profit

	318 days ended 31 December 2004 £	328 days ended 17 February 2004 £
Group		
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	3,659,057	2,936,902
Amortisation of intangible fixed assets	1,083,209	676,300
Operating lease charges – other	318,389	236,254
Audit services – company	2,000	2,000
Audit services – group	15,000	9,000

3. Directors' emoluments

None of the directors received any remuneration during the period (328 days ended 17 February 2004: £nil).

4. Employee information

Other than the directors, the company had no employees for the period under review (328 days ended 17 February 2004: nil).

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

5. Tax on (loss)/profit on ordinary activities

	318 days ended 31 December 2004	328 days ended 17 February 2004
	Group £	Group £
Current tax:		
Corporation tax	-	211,987
Group relief	-	1,021,394
Adjustment in respect of prior periods	(1,050,721)	-
Total current tax (see below)	<u>(1,050,721)</u>	<u>1,233,381</u>
Deferred tax:		
Origination and reversal of timing differences	(690,582)	1,032,392
Adjustment in respect of prior periods	26,740	-
Total deferred tax (see note 16)	<u>(663,842)</u>	<u>1,032,392</u>
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(1,714,563)</u>	<u>2,265,773</u>

The tax assessed for the period is lower (17 February 2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	318 days ended 31 December 2004	328 days ended 17 February 2004
	Group £	Group £
(Loss)/profit on ordinary activities before tax	<u>(4,363,855)</u>	<u>6,876,277</u>
(Loss)/profit on ordinary activities multiplied by the standard rate in the UK – 30%	(1,309,156)	2,062,883
Expenses not deducted for tax purposes	618,574	202,890
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	690,582	(1,032,392)
Adjustment in respect of prior periods	(1,050,721)	-
	<u>(1,050,721)</u>	<u>1,233,381</u>

The adjustment in respect of prior periods relates to the provision of group relief, which is no longer required.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

6. Dividends paid and proposed

	318 days ended 31 December 2004 £	328 days ended 17 February 2004 £
Final proposed - £33,500 per ordinary share at 16 February 2004	-	33,500

7. Intangible Fixed Assets

Group	Goodwill £
Cost	
At 18 February 2004	13,251,382
Fair Value Adjustment	(704,421)
At 31 December 2004	12,546,961
Amortisation	
At 18 February 2004	676,300
Charge for period	1,083,209
At 31 December 2004	1,759,509
Net book value at 31 December 2004	10,787,452
Net book value at 17 February 2004	12,575,082

In accordance with Financial Reporting Standard 7, a fair value adjustment has been made of £704,421 to the net assets at acquisition date of the subsidiaries acquired.

This adjustment relates to a reassessment of the allocation of corporation tax group relief within the RWE Npower Holdings plc group.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

8. Tangible fixed assets

Group	Operating Windfarms £
Cost	
At 18 February 2004	
And at 31 December 2004	<u>53,018,375</u>
Depreciation	
At 18 February 2004	2,936,902
Charge for period	3,659,057
At 31 December 2004	<u>6,595,959</u>
Net book value at 31 December 2004	<u>46,422,416</u>
Net book value at 17 February 2004	<u>50,081,473</u>

9. Fixed asset investments

Company	£
Cost	
At 18 February 2004	
And as at 31 December 2004	<u>9,555,522</u>
Impairment provision	
At 18 February 2004	646,000
Reversal	<u>(646,000)</u>
As at 31 December 2004	<u>-</u>
At 31 December 2004	<u>9,555,522</u>
At 17 February 2004	<u>8,909,522</u>

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

9. Fixed asset investments (continued)

Principal Investment	Country of Incorporation	Holding		Nature of business
Beaufort Wind Limited	Great Britain	Ordinary shares	100%	Generation and sale of electricity
Bryn Titli Windfarm Limited	Great Britain	Ordinary shares	100%	Non trading
Taff-Ely Windfarm Limited	Great Britain	Ordinary shares	100%	Non trading
Trydan Gwynt Cyfyngedig	Great Britain	Ordinary shares	100%	Non trading

10. Stocks

	31 December 2004 £	17 February 2004 £
Group		
Consumables	145,472	101,472

11. Debtors: amounts falling due within one year

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Trade debtors	775,180	-	2,524,526	-
Amounts due from subsidiary companies	-	46,952	-	45,338,193
Taxation and social security	-	-	69	69
Prepayments and accrued income	2,277,440	-	1,680,198	173
Other debtors	517,703	13,533	-	-
Deep discount bonds due in one year	-	2,780,750	-	-
	3,570,323	2,841,235	4,204,793	45,338,435

Amounts due from subsidiary companies are unsecured, interest free and are repayable on demand. The company disclosure for amounts due from subsidiary companies includes £46,952 (17 February 2004: £15,301) of group relief receivable.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

12. Debtors: amounts falling due after more than one year

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Deep discount bonds due in one to two years	-	2,484,081	-	4,222,275
Deep discount bonds due in two to three years	-	5,045,022	-	5,710,025
Deep discount bonds due in more than five years	-	7,376,136	-	7,909,485
	-	<u>14,905,239</u>	-	<u>17,841,785</u>

On 17 February 2004 the company purchased Beaufort 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% per annum for the period of the instrument.

13. Cash at bank and in hand

At 31 December 2004 group cash balances with banks include £227,613 (17 February 2004: £221,000) 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.

14. Creditors: amounts falling due within one year

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Trade creditors	235,454	-	60,074,019	45,309,600
Dividends payable	-	-	33,500	33,500
Amounts due to group companies	-	9,611,968	1,393,784	9,455,522
Corporation tax	182,659	-	544,018	-
Tax and social security	730,431	-	1,190,775	-
Other creditors	-	-	461	-
Accruals and deferred income	1,082,950	-	304,227	-
Bank overdraft	5	-	-	-
Deep discount bonds due in one year	2,780,750	2,780,750	-	-
Bank loans due in one year	3,300,249	-	-	-
	<u>8,312,498</u>	<u>12,392,718</u>	<u>63,540,784</u>	<u>54,798,622</u>

Amounts due to the parent, group and subsidiary companies are unsecured, interest free and payable on demand. Amounts due to group companies includes £nil (17 February 2004: £1,393,784) of group relief payable.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

14. Creditors: amounts falling due within one year (continued)

As at 17 February 2004, £704,421 has been reclassified from Trade Creditors to Corporation tax.

15. Creditors: amounts falling due after more than one year

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Deep discount bonds due in one to two years	2,452,558	2,484,081	4,222,275	4,222,275
Deep discount bonds due in two to three years	4,981,002	5,045,022	5,710,025	5,710,025
Deep discount bonds due in more than five years	7,282,533	7,376,136	7,909,485	7,909,485
Bank loans due in one to two years	3,712,359	-	-	-
Bank loans due in three to five years	16,135,221	-	-	-
Bank loans due in more than five years	22,914,162	-	-	-
	57,477,835	14,905,239	17,841,785	17,841,785

On 17 February 2004 the company issued unsecured deep discount bonds to the value of £17,841,785, which are redeemable on 17 February 2026 for £564,322,299. This debt carries an implied discount rate of 17% per annum for the period of the instrument.

The aggregate amount of the deep discount bonds comprises; £17,685,987 principal less £189,144 issue costs. The aggregate amount of the bank loans comprises; £54,289,075 principal less £8,227,084 issue costs. (See note 14 for amounts due in one year)

The bank loans are repayable in biannual instalments over the life of the loan, which ends on the 15 December 2013. Bank loan repayments were fixed at Financial Close based on forecast cash flows (under P90 wind assumption) and a Debt Service Coverage Ratio requirement of 1.30:1. This debt carries a current variable interest rate of 6.06% per annum for the period of the loan.

16. Provisions for liabilities and charges

	31 December 2004 £	17 February 2004 £
Deferred tax – accelerated capital allowances (below)	368,550	1,032,392
Other provisions	19,000	-
Total provisions	387,550	1,032,392

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

16. Provisions for liabilities and charges (continued)

	31 December 2004	17 February 2004
	£	£
Deferred tax brought forward	1,032,392	-
(Credit)/Charge for the period (see note 5)	(663,842)	1,032,392
Closing provision	<u>368,550</u>	<u>1,032,392</u>

The other provisions relate to an obligation accrued over previous years that is expected to be paid for eagle habitat rehabilitation in the future, this is as per the terms of the original planning conditions.

17. Called up share capital

	31 December 2004	17 February 2004
	£	£
Authorised:		
On incorporation: 1,000 ordinary shares of £1 each	1,000	1,000
On 17 February 2004: 99,000 ordinary shares of £1 each	99,000	99,000
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
On incorporation: 1 ordinary share of £1 each	1	1
On 17 February 2004: 99,998 ordinary shares of £1 each	99,998	99,998
99,999 ordinary shares of £1 each	<u>99,999</u>	<u>99,999</u>

18. Reserves

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Opening profit and loss account	4,577,004	(616,685)	-	-
(Loss)/profit for the financial period	(2,649,292)	521,145	4,577,004	(616,685)
Closing profit and loss account	<u>1,927,712</u>	<u>(95,540)</u>	<u>4,577,004</u>	<u>(616,685)</u>

Zephyr Investments Limited has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The company's profit for the financial period was £521,145 (17 February 2004: loss before dividends £583,185).

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

19. Reconciliation of movements in shareholders' funds

	31 December 2004		17 February 2004	
	Group £	Company £	Group £	Company £
Profit/(loss) for the financial period	(2,649,292)	521,145	4,610,504	(616,685)
Dividends	-	-	(33,500)	-
	<u>(2,649,292)</u>	<u>521,145</u>	<u>4,577,004</u>	<u>(616,685)</u>
Issued share capital	-	-	99,999	99,999
Opening shareholders' funds	4,677,003	(516,686)	-	-
	<u>4,677,003</u>	<u>(516,686)</u>	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>2,027,711</u>	<u>4,459</u>	<u>4,677,003</u>	<u>(516,686)</u>

**20. Reconciliation of operating profit to net cash inflow from operating activities
For the 318 days ended 31 December 2004**

	31 December 2004 £	17 February 2004 £
Operating profit	2,169,471	6,856,523
Depreciation charges	3,659,057	2,936,902
Amortisation charges	1,083,209	676,300
Increase in stocks	(44,000)	(101,472)
Decrease / (Increase) in debtors	1,685,192	(4,204,793)
(Decrease) / Increase in creditors	(608,873)	2,271,153
Net cash inflow from operating activities	<u>7,944,056</u>	<u>8,434,613</u>

As at 17 February 2004, £704,421 has been reclassified from Taxation to Increase in creditors.

**21. Analysis of Net Debt
For the 318 days ended 31 December 2004**

	At 18 February 2004 £	Cash Flow £	Other Non-cash Movements £	At 31 December 2004 £
Cash in hand, at bank	20,129,144	(12,849,213)	-	7,279,931
Debt due within 1 year	-	(6,080,999)	-	(6,080,999)
Debt due after 1 year	(17,841,785)	(38,180,281)	(1,455,771)	(57,477,837)
Total	<u>2,287,359</u>	<u>(57,110,493)</u>	<u>(1,455,771)</u>	<u>(56,278,905)</u>

The other non-cash movements relate to the unwinding of finance costs allocated against the principal debt in accordance with Financial Reporting Standard 4.

Notes to the financial statements for the 318 days ended 31 December 2004 (continued)

22. Financial Commitments

At 31 December 2004 Beaufort Wind Limited had annual commitments of £169,328 (17 February 2004: £221,323) under rental payment agreements for land which expire after five years.

On 31 December 2004 a charge over the Beaufort Wind Limited's assets was registered in favour of The Bank of Tokyo-Mitsubishi Ltd, with respect to a loan which was advanced on 18 February 2004.

23. Other related party transactions

During the year the group entered into the following transactions, in the ordinary course of business, with other related parties. On 31 December 2004 the following balances were held with related parties:

	Related party transactions	31 December 2004	31 December 2004
	Group £	Group £	Company £
Englefield Custody Ltd: unsecured deep discounted bonds	(938,044)	(5,895,329)	(5,895,330)
Englefield Custody Ltd: management fees and costs	(70,726)	-	-
RWE Npower plc: unsecured deep discounted bonds	(938,044)	(5,895,329)	(5,895,330)
RWE Npower plc: management fees	(1,415,400)	-	-
Npower Ltd Major Business Accounts	(201,636)	(145,578)	-
Wind Power First Euro (Finance) Investments LP: unsecured deep discounted bonds	(938,044)	(5,895,329)	(5,895,330)
Wind Power First Euro (Finance) Investments LP: management fees and costs	(68,567)	-	-
Npower Renewables Ltd	-	-	-
Npower Renewables and Consolidation Services Ltd: electricity sales	3,008,005	286,201	-
Npower Commercial Gas Limited: refund due	-	48,702	-
Npower Renewables Ltd: refund due	-	504,170	-

24. Ultimate parent company

On 17 February 2004, 33.33% of Zephyr's share capital was owned by Wind Power First Euro (Equity) Investments LP, 33.33% by The Englefield Zephyr Partnership LP and 33.33% by RWE Npower Plc and therefore from this date there was no single company with a controlling interest.

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