

Notes to the Company balance sheets

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below, and have been consistently applied to both years presented.

Cash flow statement

The cash flows of the Group are included in the consolidated cash flow statements of Drax Group plc, whose accounts are publicly available. Accordingly, the Company has taken advantage of the exemption under FRS 1 "Cash flow statements" not to publish a cash flow statement.

Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(b) of FRS 8 "Related party disclosures" not to disclose transactions with other Group companies.

Fixed asset investments

Fixed asset investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

2. Profit and loss account

As permitted by Section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. The Company's profit and loss account was approved by the Board on 2 March 2009. Drax Group plc reported a profit for the year ended 31 December 2008 of £110.1 million (£0.1 million before dividends received from other Group companies) (2007: £123.9 million, or £2.4 million before dividends received from other Group companies).

The Company has no employees other than the directors, whose remuneration was borne by a subsidiary undertaking and recharged to the Company. The amount recharged during the year was £599,000 (2007: £599,000).

The auditors' remuneration for audit services to the Company, totalling £20,000 (2007: £20,000), was borne by a subsidiary undertaking and recharged to the Company during the year.

3. Fixed asset investments

Cost	Subsidiary undertakings £000
At 1 January 2008	461,368
Additions in year (see below)	5
At 31 December 2008	461,373

Subsidiary undertakings

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding
Drax Finance Limited (holding company)	England and Wales	Ordinary	100%
Drax GCo Limited (non-trading company) ⁽¹⁾	England and Wales	- ⁽³⁾	100%
Drax Group Limited (holding company) ⁽¹⁾	Cayman Islands	Ordinary	100%
Drax Intermediate Holdings Limited (holding company) ⁽¹⁾	Cayman Islands	Ordinary	100%
Drax Holdings Limited (holding company) ⁽¹⁾⁽²⁾	Cayman Islands	Ordinary	100%
Drax Electric Limited (in members' voluntary liquidation) (holding company) ⁽¹⁾	Cayman Islands	Ordinary	100%
Drax Limited (holding company) ⁽¹⁾	Cayman Islands	Ordinary	100%
Drax Power Limited (power generation) ⁽¹⁾	England and Wales	Ordinary	100%
Drax Ouse (dormant company) ⁽¹⁾	England and Wales	Ordinary	100%
Drax Investments Limited (investment company) ⁽¹⁾	England and Wales	Ordinary	100%
Biomass Developments Limited (holding company)*	England and Wales	Ordinary	100%
Emergefource Limited (non-trading company)* ⁽¹⁾	England and Wales	Ordinary	100%
Emergestyle Limited (non-trading company)* ⁽¹⁾	England and Wales	Ordinary	100%
Mid Suffolk Power Limited (non-trading company)* ⁽¹⁾	England and Wales	Ordinary	100%
BondPower Limited (investment company)*	Jersey	Ordinary	100%

All subsidiary undertakings operate in their country of incorporation. All subsidiary undertakings have 31 December year ends, except as indicated below.

Notes:

(1) Held by an intermediate subsidiary undertaking.

(2) 30 December year end.

(3) Limited by guarantee.

* Additions in year.

InPower Limited, InPower 2 Limited and NoteCo Limited are all incorporated in Jersey. Although not subsidiaries of Drax Group plc, they have been included in the consolidated financial statements (prepared under IFRSs) in accordance with SIC 12 "Consolidation - special purpose entities" on the basis that their sole purpose was to hold the debt of the Group prior to the Refinancing and listing on 15 December 2005.

4. Cash at bank and in hand

	As at 31 December	
	2008 £000	2007 £000
Cash at bank and in hand	3,370	3,637

5. Called-up share capital

	As at 31 December	
	2008 £000	2007 £000
Authorised		
865,238,823 ordinary shares of £0.11 ¹⁶ / ₂₉ each	99,950	99,950
Issued and fully paid		
2007 - 339,397,000 ordinary shares of £0.11 ¹⁶ / ₂₉ each	-	39,207
2008 - 339,398,968 ordinary shares of £0.11 ¹⁶ / ₂₉ each	39,207	-
	39,207	39,207

The movement in allotted and fully paid share capital of the Company during each year was as follows:

	Years ended 31 December	
	2008 Number	2007 Number
At 1 January	339,397,000	368,921,151
Effect of share consolidations	-	(16,518,847)
Cancelled under share buy-back programme	-	(13,005,304)
Issued under employee share schemes	1,968	-
At 31 December	339,398,968	339,397,000

Effect of share consolidations

The Company undertook a share consolidation in connection with the interim special dividend paid on 16 May 2007 (note 7). Following approval at the Annual General Meeting held on 26 April 2007, the share consolidation under which shareholders received 64 new ordinary shares of 11¹⁶/₂₉ pence each for every 67 existing ordinary shares of 11¹⁶/₂₉ pence each, became effective on 30 April 2007.

Share buy-back programme

Under a share buy-back programme completed between 7 September 2007 and 13 December 2007, the Company purchased 13,005,304 ordinary shares for an aggregate consideration (inclusive of all transaction costs) of £83.5 million. Transaction costs of share purchases under the programme amounted to approximately £0.5 million. All shares purchased through the share buy-back programme were cancelled.

Issued under employee share schemes

During the year, a total of 1,968 ordinary shares of 11¹⁶/₂₉ pence each were issued in satisfaction of share options which were exercised in accordance with the rules of the SAYE Plan.

The Company has only one class of ordinary shares, which carry no right to fixed income. No shareholders have waived their rights to dividends.

Notes to the Company balance sheets

6. Analysis of movements in equity shareholders' funds

	Share capital £000	Capital redemption reserve £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2007	40,709	-	420,675	133,506	594,890
Retained profit for the year	-	-	-	123,852	123,852
Purchase and redemption of own shares under share buy-back programme (note 5)	(1,502)	1,502	-	(83,510)	(83,510)
Equity dividends paid (note 7)	-	-	-	(171,276)	(171,276)
At 1 January 2008	39,207	1,502	420,675	2,572	463,956
Share capital issued (note 5)	-	-	13	-	13
Retained profit for the year	-	-	-	110,147	110,147
Charge to equity for share-based payments	-	-	-	(2,595)	(2,595)
Equity dividends paid (note 7)	-	-	-	(109,965)	(109,965)
At 31 December 2008	39,207	1,502	420,688	159	461,556

7. Dividends

	Years ended 31 December	
	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the year (based on the number of shares in issue at the record date):		
Final dividend for the year ended 31 December 2007 of 9.9 pence per share paid on 7 May 2008 (2007: 9.1 pence per share paid on 16 May 2007)	33,600	33,572
Special interim dividend for the year ended 31 December 2007 of 7.8 pence per share paid 7 May 2008 (2007: 32.9 pence per share paid on 16 May 2007)	26,473	121,375
Interim dividend for the year ended 31 December 2008 of 5.0 pence per share paid on 8 October 2008 (2007: 4.7 pence per share paid on 24 October 2007)	16,970	16,329
Special interim dividend for the year ended 31 December 2008 of 9.7 pence per share paid on 8 October 2008 (2007: nil)	32,922	-
	109,965	171,276

The Company undertook a share consolidation in connection with the special interim dividend paid on 16 May 2007 (note 5).

At the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2008 of 38.3 pence per share (equivalent to approximately £130 million) payable on or before 22 May 2009. The final dividend has not been included as a liability as at 31 December 2008.