Remuneration Committee report

Introduction

This Remuneration report has been prepared on behalf of the Board by the Remuneration Committee. In all its activities, the Remuneration Committee has adopted the principles of good governance as set out in the Combined Code and complies with the Listing Rules of the Financial Services Authority, the relevant schedules of the Companies Act and the Directors' Remuneration Report Regulations, 2002.

These Regulations require the Company's auditors to report on the "Audited information" in the report to state that this section has been properly prepared in accordance with the Regulations. For this reason the report is divided into audited and unaudited information.

The Remuneration report is subject to shareholder approval at the Annual General Meeting on 28 April 2009.

Part 1 – Unaudited information

Remuneration Committee

During the year, the Committee comprised Tim Barker (as Chairman), Jamie Dundas, Mike Grasby and David Lindsell (appointed 1 December 2008), all of whom are independent non-executive directors. Charles Berry, Chairman of the Company is also a member of the Committee. The biographical notes of the members of the Committee are set out on pages 36 and 37.

The Committee met on seven occasions during the year and its members' attendance record is set out on page 44.

Advice to the Remuneration Committee

The Company Secretary, Philip Hudson, has attended meetings as Secretary to the Committee and, having taken over responsibility for Human Resources during the year, provided assistance to the Committee.

Kepler Associates LLP ("Kepler"), appointed by the Committee, have provided advice to the Committee on market practice, incentive plans and other remuneration-related topics. Kepler also advised the Board on the remuneration of non-executive directors. Kepler provided no other services to the Company during the year.

The Committee also received legal advice and other legal services from Norton Rose LLP who were appointed by the Board to act as principal legal advisers to the Group.

The Chief Executive is invited to attend meetings of the Remuneration Committee except when her own remuneration is being discussed.

Principal responsibilities

The Committee's principal responsibilities are:

- recommending to the Board the remuneration strategy and framework for the executive directors and senior managers;
- determining, within that framework, the individual remuneration packages for the executive directors and senior managers;
- approval of the design of annual and long-term incentive arrangements for executive directors and senior managers, including agreeing the annual targets and payments under such arrangements;
- determining and agreeing the general terms and conditions of service and the specific terms for any individual within the Committee's remit, either on recruitment or on termination;
- determining the policy for, and scope of, executive pension arrangements; and
- to oversee any major changes in employee benefit structures throughout the Group and review remuneration trends across the Group.

The terms of reference for the Committee are reviewed annually by the Committee and then by the Board. A copy of the terms of reference is available on the Group's website at www.draxgroup.plc.uk.

Remuneration policy

The remuneration policy applicable to executive directors and senior managers whose remuneration is determined by the Committee is to:

- link a significant proportion of remuneration to performance;
- manage salaries and benefits around market levels, taking into account both industry and cross-industry benchmarks;
- award annual cash bonuses which are linked to the delivery of the annual business plan targets and personal performance; and
- provide staff with long-term incentives linked to total shareholder returns.

When applying this policy to senior managers below director level, the Committee selects salary and benefit benchmarks appropriate to individual specialisms.

The objectives of the remuneration policy are to:

- motivate executive directors and staff to help ensure that Drax meets challenging performance goals;
- enable Drax to recruit and retain the expertise needed to manage and develop its business;
- strengthen teamwork at all levels; and
- ensure alignment of executive and shareholder interests.

During the year under review the remuneration package of executive directors and senior managers comprised five components, namely:

- base salary;
- annual performance bonus (a mix of cash and deferred shares);
- conditional share awards under the Executive Share Incentive Plan ("ESIP");
- pension and benefits; and
- all-employee share plans.

Variable remuneration is targeted to account for approximately 50% of the fair value of executive director remuneration.

During 2008, the Remuneration Committee, in conjunction with its independent advisers, Kepler, reviewed the Company's incentive arrangements for its executives to ensure that they are motivational and support retention, are competitive in relevant talent markets, reward growth in shareholder value and that they should not be unduly influenced by the short-term volatility of the "Dark Green Spread".

As a result of the review, the Committee decided to discontinue the "exceptional" maximum bonus opportunity (of up to 150% of salary for executive directors) and increase the "normal" target and maximum bonus opportunities available to executive directors and senior managers whose remuneration is determined by the Committee, but with a mandatory requirement to defer 25% of annual bonus into shares in the Company which will vest in three years' time subject to forfeiture if the executive is a "bad" leaver prior to vesting. The revised target and maximum bonus levels for the executive directors are set out below in the section entitled "Annual performance bonus".

In addition, it is proposed to replace the ESIP (the Company's current long-term incentive plan) in 2009 with a share-based Bonus Matching Plan ("BMP"). A proposed resolution for the adoption of the BMP is to be considered at the Annual General Meeting ("AGM") of the Company to be held on 28 April 2009. The Notice of Meeting accompanies this report and includes a description of the BMP, and the Rules of the BMP will be available for inspection at the AGM.

Under the BMP a participant would receive an annual grant of conditional shares which shall not exceed in value to 1.5 times such executive's annual bonus earned for the prior year. BMP awards will vest based on Drax's three-year Total Shareholder Return ("TSR") versus the FTSE50-150 over a three-year period. The BMP allows for 100% vesting for upper quartile performance, 15% vesting at median, and no vesting for below median performance. The Committee intends to allow partial vesting (up to 33%) based on continued employment only for BMP awards made to participants not on the Executive Committee, to support retention and in recognition that TSR is a less meaningful performance measure for that group of participants.

In addition to the performance-related awards, directors and members of the Executive Committee will be required to defer a fixed proportion of their annual bonus (currently intended to be 25%) into a conditional award of shares which will vest conditional on three years' continuing service.

BMP awards will first be made during 2009 based on the annual bonus earned for 2008. As such, BMP awards will be granted to participants conditional on shareholder approval for the BMP being obtained at the AGM.

The following paragraphs provide more detail in relation to each of the five components of remuneration for executive directors.

Base salary

Executive directors' base salaries and benefits are reviewed each year with any changes taking effect from 1 April. The review takes into account individual performance and market competitiveness. Pensionable salary is derived from base salary only.

The Committee benchmarks executive director salaries against comparator groups of utilities, power generators and selected other industrial and commercial companies with comparable turnover, market value or staff numbers.

Annual performance bonus

The Group operates an annual bonus scheme. Bonuses are based on Group performance and individual performance against objectives. The Committee sets Group performance measures based on the Group's business priorities for which the Board sets challenging performance targets. In 2008, Group measures included financial, trading, plant operations, safety, environmental and development objectives, and a discretionary element. In exercising its discretion the Committee has regard to management's performance in handling unforeseen events which arise during the year.

As part of its review of incentive arrangements, the Committee adjusted the target and maximum annual performance bonus opportunity for the directors and members of the Executive Committee in 2008 and introduced a requirement to defer 25% of any bonus into a conditional award of shares which will vest in three years and be forfeited if the executive leaves the Company other than as a "good leaver" before the shares vest. For annual performance bonus awards in 2008, the target bonus for the Chief Executive and other executive directors is 65% and 60% of base salary respectively. The maximum bonus is 130% and 120% respectively. 75% of any bonus award is paid in cash. Subject to shareholder approval of the BMP being obtained at the AGM, 25% of any bonus will be subject to a deferred share award.

In 2008, achievement of Group-based performance conditions provided for a bonus of up to 125% of target bonus, which was then adjusted according to individual performance by a multiplier in the range 0.67 to 1.33. The Committee reviewed 2008 actual performance against bonus targets and the amounts awarded and payable in cash are shown in the Directors' emoluments table in Part 2 of this report.

From 2008 onwards, 25% of any bonus earned will be deferred in the Company's shares for three years, and will be forfeited if the executive leaves Drax other than as a "good leaver" before the shares vest.

The target and maximum bonus for 2009 for the Chief Executive and the other executive directors are the same as in 2008, and bonus measures and targets have been set using a similar process to that used previously.

Benefits

The Company's policy is to offer a car allowance to executive directors and to certain senior managers, according to their role. The annual allowance is currently £17,500 per annum for the Chief Executive, £12,000 per annum for executive directors and £9,000 per annum for senior managers whose remuneration is determined by the Committee. In addition, life assurance (in a sum assured of four times base salary) is provided for the directors and senior managers and private medical insurance is provided for them and their dependants. Relocation expenses are paid where appropriate.

Pensions

Executive directors and senior managers who joined the Group after 1 January 2002 are entitled to membership of the Group's defined contribution pension plan. The employer's contribution for executive directors is 20% of base salary and for senior managers who are not members of the Electricity Supply Pension Scheme ("ESPS") it is 11.5% of base salary. For senior managers who are members of the ESPS the normal employer's contribution is 21.6% of base salary. In each case contributions were and are capped by the different statutory limits applicable before and after 6 April 2006, although there is no director or senior manager for whom contributions would mean they exceed either the lifetime or annual allowances.

Alternatively, at their option, executive directors may either have contributions of the same amounts made to their personal pension schemes or cash in lieu of pension at the stated rate and subject to normal statutory deductions. Details of pension contributions for executive directors and of payments in lieu are included in the emoluments table in Part 2 of this report.

Drax Power Limited, a trading subsidiary, is the Principal Employer of the Drax Power Group Section of the ESPS, an occupational pension scheme providing defined benefits on death, ill-health, early retirement or normal retirement to eligible members and beneficiaries based on the member's length of pensionable service, final salary and the applicable accrual rate. The defined benefit pension scheme was closed to new entrants in 2002. Although certain senior managers are members, none of the executive directors are eligible for membership.

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Current annualised rates of pay

The following table shows the current annualised rates of base salary, benefits, bonus (at target level) and pension contributions for each of the directors:

	Annual salary £000	Annual fees[(1)] £000	Annual bonus[(2)] £000	Annual benefits[(3)] £000	Annual cash pension[(4)] £000
Tim Barker	–	58	–	–	–
Charles Berry	–	200	–	–	–
Jamie Dundas	–	58	–	–	–
Peter Emery	255	–	153	12	50
Mike Grasby	–	60	–	–	–
David Lindsell	–	48	–	–	–
Tony Quinlan	300	–	180	12	60
Dorothy Thompson	450	–	293	18	90

Notes:

(1) Includes Board Committee membership fees paid as separate amounts.

(2) The annual bonus assumes an "on target" performance yielding a bonus of 65% of base salary for Dorothy Thompson and 60% of base salary for the other executive directors, of which 25% is required to be deferred into shares.

(3) Covers car allowance only. The cost of other benefits such as BUPA and additional life cover is not easily predicted because they are subject to price variation (the amount of which depends on personal circumstances at the time) during the year.

(4) Annual contribution by the Company to the directors' pension plans or cash in lieu.

The Committee has determined that the executive directors shall not receive any increase in their base salaries in the review year 2009/2010.

Executive Share Incentive Plan ("ESIP")

Under the ESIP, annual awards of performance shares were made to executive directors and other senior staff up to a normal maximum of 100% of salary (200% in exceptional circumstances). Shares vest based on Drax's Total Shareholder Return ("TSR") performance relative to an index over three years. The Committee considers relative TSR to be an objective, external measure of the Company's success.

For the 2008 ESIP awards, index TSR is based 50% (60% for 2006 ESIP awards and 50% for 2007 ESIP awards) on the median TSR of FTSE350 electricity sector peers, 25% (20%) on the median TSR of selected UK-listed oil and gas companies and 25% (20%) on the TSR of the FTSE100 index, as shown below:

	Electricity sector peers	Oil and gas comparators	FTSE100
Weighting	50%	25%	25%
Constituents[(1)(2)]	British Energy[(3)]	BG Group	FTSE100 index, as published
	International Power	BP	
	Scottish and Southern Energy	Gazprom	
		Royal Dutch Shell	

Notes:

(1) Viridian Group Limited had previously been included in the electricity sector peers group, however, it was subject to takeover which took effect on 8 December 2006, and therefore it was considered appropriate to remove it as a constituent in the sector peers group for 2007.

(2) ScottishPower had previously been included in the electricity sector peers group, however, it was subject to takeover which took effect on 23 April 2007, and therefore it was considered appropriate to remove it as a constituent in the sector peers group for 2007.

(3) British Energy remained as an electricity sector peer until its takeover which took effect on 3 February 2009, following which it will be removed as a constituent.

No shares vest if the Company's TSR over the three-year period is less than the index TSR; 25% of shares vest if the Company's TSR equals that of the Index; shares vest in full if the Company's TSR outperforms that of the Index by 30% or more, and there is straight-line pro rata vesting in between.

For any award to vest, the Committee must be satisfied that there has been a demonstrable improvement in the performance of the Company in terms of (but not limited to) finance, production, trading, ancillary activities and progress in delivering the Company's strategy. The Committee has chosen these broader criteria rather than the more straightforward criterion of financial performance because of the extent to which financial performance is susceptible to the influence of movements in relevant commodity markets.

Awards under the ESIP will normally be pro rated for time and performance in circumstances where they vest for "good leavers" and on a change of control.

At the 2007 Annual General Meeting a resolution proposing that dividends accrue on ESIP shares over the vesting period to ensure alignment with shareholders' interests was approved. The dividend accrual will only relate to "ordinary" dividends and will not be allowed in respect of any special dividends which are directly linked to share consolidations (where each share consolidation has the effect of automatically maintaining the value of the award following payment of the special dividend).

The ESIP will be replaced by the proposed BMP in 2009, conditional upon shareholder approval at the 2009 AGM.

2008 ESIP award

ESIP awards were made in April 2008, for nil consideration. For executive directors, each award was calculated based on 100% of base salary. Performance for the 2008 ESIP awards will be measured over the three years from 1 January 2008 to 31 December 2010 with potential vesting in April 2011. The awards made in September 2006 and April 2007 are the only long-term incentives having the potential to vest before that date.

All-employee share plans

The Committee operates a Savings-Related Share Option Plan ("SAYE") and a Share Incentive Plan ("SIP"), both of which are approved by HM Revenue & Customs and must be operated on an all-employee basis. The executive directors may participate in each plan upon the same terms as other employees.

The SAYE provides for the grant of options (which, at the Committee's discretion, may be offered at a discount of up to 20% to the market price of a share determined in accordance with the rules of the plan) linked to a savings contract which pays interest at a statutory rate. No invitations to participate in the SAYE plan were made in 2007 or 2008.

Details of the SAYE options held by the executive directors are shown in the table in Part 2 of this report.

In any one tax year, the Committee may operate the SIP for the benefit of participants using any combination of the following elements:

- award Free Shares (up to £3,000 in value);
- allow the purchase of Partnership Shares (up to £1,500 in value subject to an overriding maximum of 10% of salary);
- allocate free Matching Shares (in a maximum ratio of two Free Shares for each Partnership Share); and
- allow the investment in shares of dividends received in respect of SIP shares.

In January 2007, the Committee reviewed the use of the SIP with the aim of establishing a clearer linkage between long-term incentive rewards for all employees and collective performance and encouraging wider share ownership amongst employees. Wider employee share ownership aligns the interests of employees with those of shareholders by enabling employees to share in the benefits flowing from their contribution to the success of the Company.

As a result of the review the Committee decided to:

- award Free Shares to the value of £2,500 to each eligible employee;
- allow employees to purchase Partnership Shares up to the maximum permitted of £1,500 subject to an overriding maximum of 10% of salary; and
- make an allocation of one free Matching Share in respect of each Partnership Share purchased.

In accordance with the plan rules, shares taken up by an employee are allocated to a trustee which holds them on behalf of the employee. Under normal circumstances, the employee will receive the shares from the trustee without incurring a tax liability once the shares have been held in trust for five years. The employee is entitled to receive dividends paid in respect of the shares held in trust.

The SIP operated on the same basis in 2008 as it did in 2007. The SIP Trustee was funded by the Group to purchase the required Free and Matching Shares in order to avoid any dilution.

Details of the shares allocated to executive directors are shown in the table in Part 2 of this report.

Provision of shares for share plans – dilution

The current estimated dilution from subsisting awards, including executive and all-employee share awards, is less than 0.5% of the shares in issue at the date of this report.

All equity-based plans are funded through the issuance of shares, or through the purchase of shares in the marketplace through a trust, subject to an overall dilution limit for all employee share plans of no more than 10% of share capital in any ten-year period and a limit of 5% of share capital in any ten-year period for the Company's discretionary share plans (e.g. ESIP).

Share ownership guidelines

The Company has share ownership guidelines for executives participating in the ESIP. They are 100% and 50% of base salary for executive directors and other senior manager ESIP participants, respectively.

Those who receive shares by virtue of ESIP awards or who receive deferred bonus shares must retain 50% of the net (that is, after income tax and national insurance contributions) shares received until the applicable guideline is reached.

Service contracts

Executive directors' service agreements are of indefinite duration, subject to a normal retirement age of 65, terminable at any time by either party giving 12 months' prior notice except that Peter Emery's contract is terminable by him providing six months' notice to the Company.

Under each of the executive directors' service agreements other than the Chief Executive's, Drax has the right to make a payment in lieu of notice of termination, the amount of that payment being the salary and benefits that would have accrued to the executive director during the contractual notice period.

The following table shows for each person who has served as a director of the Company at any time during the year ended 31 December 2008, the commencement date and term of the service agreement or contract for services, and details of the notice periods. No service agreement now includes any operative provision for the payment of compensation upon early termination. Any compensation payable in those circumstances would need to be negotiated at the time and in the light of the circumstances.

	Contract start date	Contract term	Notice period by the Company Months	Notice period by the director Months
Tim Barker	15 December 2005	6 years	1	1
Charles Berry	17 April 2008	3 years	6	6
Jamie Dundas	15 December 2005	6 years	1	1
Peter Emery	14 June 2004	Indefinite duration	12	6
Mike Grasby	15 December 2005	6 years	1	1
David Lindsell	1 December 2008	3 years	1	1
Tony Quinlan	1 September 2008	Indefinite duration	12	12
Dorothy Thompson	26 September 2005	Indefinite duration	12	12

Directors' service agreements and contracts for services are available for inspection at the Company's registered office during normal hours of business and will be available at the place of the AGM from 10.00am until the close of the meeting.

External appointments

The Committee recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience to the benefit of the Company. The policy is that an executive director who accepts an external appointment having had the prior approval of the Board should retain the fees payable in respect of the appointment. Dorothy Thompson was appointed as a non-executive director of Johnson Matthey plc with effect from 1 September 2007, and received £45,000 in fees for that appointment during 2008.

Non-executive directors

Chairman's remuneration and service agreement
Charles Berry, as a non-executive director and Chairman of the Board has a contract to provide services in substantially similar terms to the contract of each of the other non-executive directors, save as to the level of remuneration and the period of notice to terminate the contract.

The Committee reviewed the Chairman's remuneration prior to his appointment using a similar approach to that used in previous years, which followed a review of remuneration data for chairmen of other listed companies of a similar market value or turnover to Drax and having regard to his expected time commitment. It decided that upon his appointment his remuneration should be at the annual rate of £200,000, which is reflected in the table of annualised rates of pay on page 52. The Committee has determined that the Chairman shall not receive any increase in his remuneration in the review year 2009/2010. His notice period is six months' on either side. Like the other non-executive directors, he does not receive a pension or other benefits, nor is he eligible for an annual cash bonus or any of the share-based reward plans.

Other non-executive directors
The remuneration for the other non-executive directors is determined by the Chairman and the executive directors and is designed to:

- recognise prevailing market rates for non-executive directors' fees;
- reflect the responsibilities and time commitment of non-executive directors; and
- attract and retain individuals with the necessary skills and experience to contribute to the future growth of the Company.

The fees for non-executive directors were last reviewed in April 2008. The review looked at the structure of payments made in respect of Committee Chairmanship and membership and took into account the fees payable by the same comparator companies as those used for the purposes of the review of the Chairman's remuneration by the Committee and decided to increase the basic fee from £39,000 to £40,000 per annum with additional fees for each Board Committee membership being reduced from £5,040 to £2,500 per annum and the fee for being the Chairman of each of the Board's Committees being increased from £2,500 to £10,000 per annum, other than the Nominations Committee (of which the Chairman of the Board is the Chairman).

Non-executive directors' fees are neither performance-related nor pensionable. The non-executive directors do not participate in any of the Company's bonus schemes or share-based reward plans. The non-executive directors have contracts to provide services to the Company which may be terminated by either party at any time on giving one month's notice.

Value of £100 invested

The following graph shows how the value of £100 invested in the Company on the listing of its shares on the London Stock Exchange on 15 December 2005 has changed and compares that performance with the changing value of the same amount invested at the same time in the FTSE100 and FTSE250 indices. Those indices have been chosen as suitable broad comparators against which the Company's shareholders may judge their relative returns given that, during the year under review, the Company has been a member of both the FTSE250 and FTSE100 indices. The graph reflects the total shareholder return (determined according to usual market practice) for the Company and each of the indices referred to on a cumulative basis over the period from 15 December 2005 to 31 December 2008.

TSR performance since listing – Drax versus FTSE100 and FTSE250

Remuneration Committee report

Part 2 – Audited information

This section of the report (which has been subject to audit) sets out the remuneration paid to the directors during the year ended 31 December 2008.

Directors' emoluments

The emoluments payable in respect of 2008 to directors who held office for any part of the financial year, including amounts paid to them as directors of subsidiary undertakings and compensation for loss of office, was as follows:

	Salary £000	Termination payment £000	Fees £000	Cash bonus in respect of 2008 £000	Benefits £000	Pension(1) £000	Total 2008 £000	Total 2007 £000
Tim Barker	–	–	57	–	–	–	57	56
Charles Berry (appointed as Chairman on 17 April 2008)	–	–	157	–	–	–	157	54
Gordon Boyd (resigned on 31 August 2008)	163	485(2)	–	92	13	33	786	383
Jamie Dundas	–	–	57	–	–	–	57	56
Peter Emery	249	–	–	172	18	50	489	384
Mike Grasby	–	–	59	–	–	–	59	56
Gordon Horsfield (retired on 17 April 2008)	–	–	58	–	–	–	58	194
David Lindsell (appointed on 1 December 2008)	–	–	4	–	–	–	4	–
Tony Quinlan (appointed on 1 September 2008)	100	–	–	68	6	20	194	–
Dorothy Thompson	440	–	–	343	24	87	894	692

Notes:

(1) Annual contribution by the Company to directors' pension plans or cash in lieu.

(2) Gordon Boyd's termination comprised payment of salary and other contractual benefits for 12 months in lieu of notice, together with payment representing on target bonus for the notice period, and an additional payment of two months' salary and benefits in consideration for his agreement to remain with the Company after the agreed termination date, pending the appointment of a successor.

Directors' interests under the ESIP

The following information shows the interests of the directors as at the end of the financial year in the Company's ESIP:

	As at 1 January 2008 Number	Awards made during the year Number	Awards vesting during the year Number	Awards lapsing during the year Number	As at 31 December 2008 Number	Market value at the date of award Pence
Dorothy Thompson						
2006 award(1)	60,048	–	–	–	60,048	874.3
2007 award(2)	46,104	–	–	–	46,104	797.1
2008 award(3)	–	71,057	–	–	71,057	577.0
Peter Emery						
2006 award(1)	30,024	–	–	–	30,024	874.3
2007 award(2)	25,718	–	–	–	25,718	797.1
2008 award(3)	–	39,861	–	–	39,861	577.0
Gordon Boyd						
2006 award(1)	32,597	–	–	32,597	–	874.3
2007 award(2)	27,600	–	–	27,600	–	797.1
2008 award(3)	–	42,461	–	42,461	–	577.0

Notes:

(1) The 2006 awards were made on 19 September 2006 and, subject to the performance conditions being achieved, will vest on 19 September 2009. The performance period for those awards commenced on 1 July 2006 and will end on 30 June 2009.

(2) The 2007 awards were made on 19 April 2007 and, subject to the performance conditions being achieved, will vest on 19 April 2010. The performance period for those awards commenced on 1 January 2007 and will end on 31 December 2009.

(3) The 2008 awards were made on 14 April 2008 and, subject to the performance conditions being achieved, will vest on 14 April 2011. The performance period for those awards commenced on 1 January 2008 and will end on 31 December 2010.

Details of the conditions subject to which the above awards will vest are given on page 52.

Directors' interests under SAYE

The following information shows the interests of directors as at the end of the financial year in the Company's SAYE Plan:

	As at 1 January 2008 Number	Share options granted during the year Number	Share options exercised during the year Number	Share options lapsed during the year Number	Exercise price per share Pence	Exercise period	As at 31 December 2008 Number
Dorothy Thompson	2,531	–	–	–	636.0	From July 2011 to December 2011	2,531
Tony Quinlan	–	–	–	–	–	–	–
Peter Emery	–	–	–	–	–	–	–
Gordon Boyd	1,470	–	–	1,470	636.0	–	–

The middle market closing quotation for an ordinary share of the Company on 31 December 2008, was 561 pence and the daily middle market closing quotations during the financial year ranged from 486.75 pence to 821 pence.

Directors' interests in Drax Group shares

The interests held by each director at the end of the financial year in the ordinary shares in the Company are shown below. All the disclosed interests are beneficial. No director had any interest at any time during the year or since in any security issued by the Company other than its ordinary shares.

	As at 31 December 2008			As at 1 January 2008		
	Ordinary shares	SIP shares(1)	SAYE option shares(2)	Ordinary shares	SIP shares(1)	SAYE option shares(2)
Tim Barker	3,462	–	–	3,462	–	–
Charles Berry	1,730	–	–	1,730	–	–
Jamie Dundas	1,730	–	–	1,730	–	–
Peter Emery	30,551	1,813	–	30,551	897	–
Mike Grasby	1,730	–	–	1,730	–	–
David Lindsell	–	–	–	–	–	–
Tony Quinlan	–	–	–	–	–	–
Dorothy Thompson	63,569	1,813	2,531	63,569	897	2,531

Notes:

(1) The SIP shares include the Free, Partnership and Matching elements of the plan.

(2) The number of SAYE option shares are those which will be available to exercise at the maturity of the savings contract.

No director had at any time during the financial year, or has had since, any beneficial interest in the shares of any subsidiaries.

No other changes to directors' share interests have taken place between 31 December 2008 and the date upon which this report was approved by the Board.

This report was reviewed and approved by the Board on 2 March 2009.

Tim Barker
Chairman, Remuneration Committee