

Company Registration No. 05562058

DRAX FINANCE LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2015

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DRAX FINANCE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS	PAGE
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

DRAX FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

FOR THE YEAR ENDED 31 DECEMBER 2015

Board of directors

Andrew Koss (appointed 1 January 2016)
Michael Scott (resigned 31 December 2015)
Paul Taylor (resigned 31 December 2015)
Peter Emery (resigned 31 December 2015)
Tony Quinlan (resigned 31 May 2015)
Will Gardiner (appointed 1 January 2016)

Company Secretary

David McCallum (appointed 1 July 2016)
Philip Hudson (resigned 30 June 2016)

Registered office

Drax Power Station
Selby
North Yorkshire
YO8 8PH

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ

DRAX FINANCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report for Drax Finance Limited (the "Company") for the year ended 31 December 2015.

This strategic report contains forward-looking statements. These statements are made by the directors in good faith and based on the information available to them at the time of their approval of this report and such statements should be treated with caution due to their inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the raising and provision of debt finance for the benefit of the Drax Group of companies (together "the Group"). This is expected to continue in the foreseeable future.

Profit after tax for the year amounted to £63.1 million (2014: £201.3 million). The higher profits in 2014 reflected the flow of dividends received from a wholly owned subsidiary, Drax Group Limited, as part of the liquidation and winding up of that company.

The financing structure includes £325 million of term loans, comprised of a private placement of £100 million with various funds managed by M&G Investments, a £75 million amortising loan facility with Friends Life, underpinned by a guarantee from HM Treasury under the Infrastructure UK Guarantee Scheme, a £50 million amortising term loan with UK Green Investment Bank and a £100 million amortising term loan facility with M&G UK Companies Financing Fund. The loans have varying maturity profiles ranging from 2017 to 2025. All of the term loans were fully drawn down at 31 December 2015 and 31 December 2014. This funding has been provided to members of the Group.

On 7 December 2015 the Group acquired Billington Bioenergy Limited and Drax Group Services Limited from a fellow Group company for consideration of £4 million by way of a share for share exchange. On the same date, the Company was acquired by Drax Group Holdings Limited. See note 7 for further details

Key performance indicators

The key performance indicators set out below are used to evaluate the performance of the Company.

	Years ended 31 December	
	2015	2014
	£000	£000
Profit after tax	63,114	201,273
Net assets	1,465,386	1,452,763
Weighted average interest rate payable	4.22%	4.21%

The reduction in the profit after tax from the comparative year reflects the reduction in income received from shares in group undertakings.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has a comprehensive system of governance controls in place to mitigate risks. Policies, procedures and internal controls have been established across the key areas of the business to ensure that these risks are managed in a controlled manner and in accordance with the policies set by the Board.

DRAX FINANCE LIMITED

STRATEGIC REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

The Drax Group Risk Management Committee is responsible for monitoring the risk management process, ensuring that all risks associated with a specific area of the business are identified, analysed and managed systematically and appropriately. This Committee also forms part of the wider risk management processes of Drax Group plc.

Financial Risk

The Company holds a combination of fixed, floating and index linked debt, giving exposure to both interest rate risk and inflation. These risks are mitigated at a Group level through cash held or inflated income streams. Details of the Company's debt instruments that are exposed to interest rate risk and their repayment schedules are detailed in note 9.

Credit Risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date (namely intercompany receivables, other receivables and prepayments and cash balances). Credit exposure is controlled by counterparty limits that are reviewed and approved by a management committee.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2015 in the forthcoming year.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant post balance sheet events.

Approved by the Board and signed on its behalf by:



David McCallum
Company Secretary

29 September 2016

DRAX FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

RESULTS AND DIVIDENDS

The Company's profit after tax for the year amounted to £63.1 million (2014: £201.3 million). During the year dividends were paid totalling £54.5 million, equivalent to 4.4 pence per share (2014: £55.0 million, equivalent to 4.5 pence per share). Since the year end the Company has paid a final dividend of £2.4 million in May 2016 (May 2015: £29.0 million).

GOING CONCERN

On the basis of their assessment of the Company's financial position and that of the Company's wholly owned subsidiaries, together with recent performance and near-term forecasts, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS

The directors who served the Company during the year are listed under Officers and Professional Advisers (page 1). No other person served as director or alternate director during the year.

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

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

By order of the directors



David McCallum
Company Secretary

29 September 2016

DRAX FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DRAX FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF DRAX FINANCE LIMITED

We have audited the financial statements of Drax Finance Limited for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 'Reduced Disclosure Framework'.

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 auditors' 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 Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DRAX FINANCE LIMITED

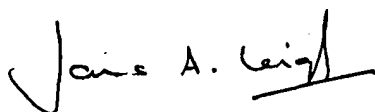
INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDER OF DRAX FINANCE LIMITED

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.



James Leigh FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

29 September 2016

DRAX FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

Years ended 31 December			
		2015	2014
	Note	£000	£000
OPERATING LOSS	2	(20)	(112)
Income from shares in group undertakings		80,123	216,365
Interest receivable and similar income	3	3,068	1,904
Interest payable and similar charges	4	(22,020)	(18,854)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		61,151	199,303
Tax credit on profit on ordinary activities	5	1,963	1,970
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		63,114	201,273

All results relate to continuing operations.

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

The Company has no recognised gains or losses other than the results for the year as set out above, and accordingly no statement of comprehensive income has been presented.

The notes on pages 11 to 18 form part of these financial statements.

DRAX FINANCE LIMITED


BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
NON-CURRENT ASSETS			
Investments	7	1,746,590	1,742,555
Debtors	9	100,000	100,000
		<u>1,846,590</u>	<u>1,842,555</u>
CURRENT ASSETS			
Debtors falling due within one year	8	22,656	17,220
Cash at bank		262	280
		<u>22,918</u>	<u>17,500</u>
CREDITORS: Amounts falling due within one year	10	<u>(84,665)</u>	<u>(88,275)</u>
NET CURRENT LIABILITIES		<u>(61,747)</u>	<u>(70,775)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,784,843</u>	<u>1,771,780</u>
CREDITORS: Amounts falling due after one year	10	<u>(319,457)</u>	<u>(319,017)</u>
NET ASSETS		<u>1,465,386</u>	<u>1,452,763</u>
CAPITAL AND RESERVES			
Called-up share capital	11	1,233	1,233
Share premium	12	4,035	-
Profit and loss account		1,460,118	1,451,530
TOTAL SHAREHOLDER'S FUNDS		<u>1,465,386</u>	<u>1,452,763</u>

The financial statements of Drax Finance Limited, registered number 05562058, were approved by the Board of directors on 29 September 2016.

Signed on behalf of the Board of directors:



Will Gardiner
Director

The notes on pages 11 to 18 form part of these financial statements.

DRAX FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

		Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2014		1,233	-	1,305,301	1,306,534
Profit for the year		-	-	201,273	201,273
Equity dividends paid	Note 6	-	-	(55,044)	(55,044)
At 1 January 2015		1,233	-	1,451,530	1,452,763
Profit for the year		-	-	63,114	63,114
Issue of share capital	Note 7	-	4,035	-	4,035
Equity dividends paid	Note 6	-	-	(54,526)	(54,526)
At 31 December 2015		1,233	4,035	1,460,118	1,465,386

The notes on pages 11 to 18 form part of these financial statements.

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council.

In the year-ended 31 December 2015 the Company has decided to adopt Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued by the FRC and has undergone transition from reporting under pre-2015 UK GAAP to FRS 101. Accordingly, the financial statements have been prepared in accordance with FRS 101 (incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016). The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

This transition is not considered to have had a material effect on the financial statements and hence no further disclosure is provided.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the going concern assumption (see page 2), under the historical cost convention and in accordance with Companies Act 2006 and applicable Financial Reporting Standards. The principal accounting policies adopted are summarised below, and have been consistently applied to both years.

Exemption from preparing group accounts

The Company is a wholly owned subsidiary of another company incorporated in the UK and in accordance with Section 400(1)(a) of the Companies Act 2006, is not required to produce consolidated accounts.

Fixed asset investments

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

Debt instruments

The Company measures all debt instruments, whether financial assets or financial liabilities, initially at fair value of the consideration paid or received. Transaction costs (any such costs incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are, in effect, amortised through the profit and loss account over the life of the instrument. Subsequent to initial measurement, debt instruments are measured at amortised cost using the effective interest method.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Critical accounting judgements and key sources of estimation uncertainty.

In the application of the Company's accounting policies, as described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The directors do not believe that there are any specific critical accounting judgements or key sources of estimation uncertainty for the year ended 31 December 2015 and the preceding year.

2. OPERATING LOSS

The Company has no employees other than the directors, whose remuneration was borne by another group undertaking in the current and prior year. Auditor's remuneration for audit services to the Company (allocated as £1,000 in both periods) and Companies House fees were borne by another group undertaking.

The operating loss of £20,000 is a result of legal and professional fees incurred during the year in relation to the re-organisation described on page 14 (2014: £112,000 loss due to fees incurred in relation to the liquidation of a subsidiary company).

3. INTEREST RECEIVABLE

	Years ended 31 December	
	2015	2014
	£000	£000
Interest from group undertakings	3,068	1,904
	<u>3,068</u>	<u>1,904</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Years ended 31 December	
	2015	2014
	£000	£000
Interest payable on bank borrowings	15,896	13,584
Interest payable to group undertakings	2,375	2,278
Amortisation of deferred financing costs	3,749	2,992
	<u>22,020</u>	<u>18,854</u>

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax credit in the period

	Years ended 31 December	
	2015	2014
	£000	£000
Current tax		
Group relief - current year	(1,963)	(1,970)
Tax credit on profit on ordinary activities	<u>(1,963)</u>	<u>(1,970)</u>

Factors affecting current tax credit

The differences between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%), to the profit before tax is as follows:

	Years ended 31 December	
	2015	2014
	£000	£000
Profit on ordinary activities before taxation	<u>61,151</u>	<u>199,303</u>
Profit on ordinary activities before tax multiplied by standard rate of tax of 20.25% (2014: 21.50%)	12,383	42,850
Effect of:		
Non-taxable dividends from group undertakings	(16,225)	(46,518)
Prior year adjustment	1,879	1,698
Total current tax credit	<u>(1,963)</u>	<u>(1,970)</u>

6. DIVIDENDS

	Years ended 31 December	
	2015	2014
	£000	£000
Amounts recognised as distributions to shareholder in the year:		
Final Dividend for year ended 31 December 2014 (equivalent to 2.4 pence per share)	29,222	-
Interim Dividends for the year ended 31 December 2015 (equivalent to 2.1 pence per share)	25,304	-
Final Dividend for year ended 31 December 2013 (equivalent to 2.9 pence per share)	-	36,018
Interim Dividend for the year ended 31 December 2014 (equivalent to 1.5 pence per share)	-	19,026
	<u>54,526</u>	<u>55,044</u>

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

7. INVESTMENTS

	Subsidiary undertakings	
	2015	2014
	£000	£000
COST		
At 1 January	1,785,807	1,635,796
Additions	4,035	1,100,021
Transfer	-	(950,010)
At 31 December	1,789,842	1,785,807
PROVISIONS FOR IMPAIRMENT		
At 1 January and 31 December	(43,252)	(43,252)
NET BOOK VALUE		
At 31 December	1,746,590	1,742,555
At 1 January	1,742,555	1,592,544

On 7 December 2015, the Company acquired 100% of the share capital of Billington Bioenergy Limited and 100% of the share capital of Drax Group Services Limited from Drax Group plc, a fellow Group company, for consideration of £4,034,510 and £1 respectively. The transaction was settled via issue of 1,000 ordinary shares in the Company (see note 10).

Billington Bioenergy is a wood pellet distributor in the UK renewable fuelled heating market. It gives us an important opportunity to work with the UK heat sector to ensure that the many benefits of biomass are fully understood. We hope to drive substantial growth in this market over the coming years.

The impairment relates to historic adjustments made in 2006 and 2007. No subsequent indication of impairment has been identified, hence no adjustment has been made in 2015.

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

7. INVESTMENTS *(continued)*

At the balance sheet date, the Company had holdings in the issued share capital of the companies listed below:

Name and nature of business	Country of incorporation and	Type of share	Effective shareholding
Direct subsidiary undertakings			
Billington Bioenergy Limited (trading company, fuel supply)	England and Wales	Ordinary	100%
Drax Group Services Limited (administration services company)	England and Wales	Ordinary	100%
Drax Holdings Limited (holding company)	Cayman Islands	Ordinary	100%
Indirect subsidiary undertakings			
Drax Fuel Supply Limited (trading company, fuel supply)	England and Wales	Ordinary	100%
Drax GCo Limited (non-trading company)	England and Wales	Guarantee	100%
Drax Ouse (dormant company)	England and Wales	Ordinary	100%
Drax Power Limited (trading company, power generation)	England and Wales	Ordinary	100%
Haven Power Limited (trading company, power retail)	England and Wales	Ordinary	100%

All subsidiary undertakings operate in their country of incorporation. All subsidiary undertakings have 31 December year ends.

8. DEBTORS

	As at 31 December	
	2015	2014
	£000	£000
Amounts falling due within one year		
Amounts due from other group undertakings	22,076	17,229
Other receivables and prepayments	580	-
	<u>22,656</u>	<u>17,229</u>
	As at 31 December	
	2015	2014
	£000	£000
Amounts falling due after one year		
Amounts due from other group undertakings	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

The amounts due from other group undertakings bear a commercial rate of interest, which is rolled over and capitalised until payment on fixed repayment dates as set out in the loan agreement.

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

9. CREDITORS

Amounts falling due within one year

	As at 31 December	
	2015	2014
	£000	£000
Amounts owed to other group undertakings	83,512	87,625
Accruals	1,153	632
Current tax liability	-	18
	<u>84,665</u>	<u>88,275</u>

The amounts due to other group undertakings bear a commercial rate of interest, payable at regular intervals with due dates set according to the terms of each individual agreement. In the absence of payment on the due dates, interest is rolled over and capitalised. The full amount is repayable on demand.

CREDITORS

Amounts falling due after more than one year

	As at 31 December	
	2015	2014
	£000	£000
Bank loans and overdrafts	<u>319,457</u>	<u>319,017</u>

Analysis of bank borrowings

	As at 31 December 2015		
	Borrowings before deferred finance costs	Deferred finance costs	Net borrowings
	£000	£000	£000
Term loans	328,412	(8,955)	319,457

	As at 31 December 2014		
	Borrowings before deferred finance costs	Deferred finance costs	Net borrowings
	£000	£000	£000
Term loans	326,104	(7,087)	319,017

Analysis of bank borrowings

The Company's financing structure includes £325 million of term loans, comprised of a private placement of £100 million with various funds managed by M&G Investments, a £75 million amortising loan facility with Friends Life, underpinned by a guarantee from HM Treasury under the Infrastructure UK Guarantee Scheme, a £50 million amortising loan with UK Green Investment Bank and a £100 million amortising term loan facility with M&G UK Companies Financing Fund. The loans have varying maturity profiles ranging from 2017 to 2025. All of the term loans were fully drawn down at 31 December 2015 and 31 December 2014.

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

9. CREDITORS: Amounts falling due after more than one year *(continued)*

Analysis of bank borrowings *(continued)*

The deferred finance costs are being amortised to interest payable over the duration of the term loan facilities.

The Company's bank borrowings are guaranteed and secured by the Company and each of its direct and indirect subsidiary undertakings, as set out in note 7 to the financial statements.

Similarly, the Company provides security and guarantees to Drax Power Limited which would crystallise in the event of Drax Power Limited defaulting on the terms of its commodity trading line, or its revolving credit facility, as amended and restated in December 2015. At 31 December 2015 security was provided over commodity trades with a value of £126.3 million (2014: £109.8 million) and foreign exchange trades with a mark-to-market of £35.3 million (2014: £102 million).

In addition, the Company provides security and guarantees to other group undertakings in respect of letters of credit issued under Drax Power Limited's revolving credit facility. In December 2015 the Company successfully refinanced its £400 million revolving credit facility. At 31 December 2015 letters of credit issued under the revolving credit facility amounted to £50.2 million (2014: £58.7 million).

No liability is provided in respect of any of the above matters as the event of default is considered to be remote in each case.

The weighted average interest rate payable at the balance sheet date on our term loans was 4.22% (2014: 4.21%).

10. SHARE CAPITAL

Authorised share capital

	2015 £000	2014 £000
2,000,000,000 Ordinary shares of £0.001 each	<u>2,000</u>	<u>2,000</u>

Allotted, called-up and fully paid

	Number	2015 £000	Number	2014 £000
Ordinary shares of £0.001 each	<u>1,233,092,002</u>	<u>1,233</u>	<u>1,233,091,002</u>	<u>1,233</u>

The Company issued 1,000 shares on 7 December 2015 as part of a group re organisation detailed in note 7.

DRAX FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

11. SHARE PREMIUM ACCOUNT

	Share premium £000
At 1 January and 31 December 2014	-
Premium arising on issue of equity shares	4,035
At 31 December 2015	<u>4,035</u>

12. ULTIMATE PARENT COMPANY

The immediate company and controlling party is Drax Group Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is Drax Group plc, a publicly listed company incorporated in England and Wales. Drax Group plc is the smallest and largest group for which consolidated financial statements are prepared. Copies of the consolidated financial statements for Drax Group plc are available from: Company Secretary, Drax Power Station, Selby, North Yorkshire YO8 8PH, or on the Group's website at www.drax.com.