

Drax Corporate Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 05562058



Drax Corporate Limited

Report and financial statements for the year ended 31 December 2017

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Directors

Andrew Koss
Will Gardiner

Company Secretary

David McCallum

Registered office

Drax Power Station
Selby
North Yorkshire
YO8 8PH

Company number

05562058

Auditor

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR

Drax Corporate Limited

Strategic report

for the year ended 31 December 2017

Introduction

The directors present their strategic report for Drax Corporate Limited (formerly Drax Finance Limited) (the "Company") for the year ended 31 December 2017. The Company changed its name on 5 April 2017 from Drax Finance Limited to Drax Corporate Limited.

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

During the year, the Group began providing a variety of services in support to the wider Drax Group of companies (together "the Group"), including the provision of long-term and short-term intra-group financing. This principal activity is expected to continue in the foreseeable future.

The Company provides financing and cash management services to other Group entities using a variety of standard arrangements, including short-term cash pooling and longer-dated term loan agreements.

During 2017, costs incurred in the provision of support services were £31.9 million. These costs reflect the emoluments of Group employees engaged in the performance of the services, fees payable to third party advisers and consultants, plus other operating and administrative expenses. Certain costs were recharged directly to other Group undertakings as incurred. The Company's principal income arises from dividends received from subsidiary undertakings.

The operating loss for the period, before dividends received and interest, was £1.7 billion (2016: £0.4 million). This result principally reflects a one-off non-cash impairment charge to subsidiary investments (£1.7 billion), which followed a distribution of assets to the Company from Drax Holdings Limited. The Company also wrote off intra-group loans of £2.3 million in the period.

Profit after tax for the year amounted to £177.0 million (2016: £46.9 million). The higher net profit in 2017 reflects an increase in the value of dividends received from subsidiary undertakings, including one-off distributions received as part of a group reorganisation and simplification project that took place during May 2017.

As part of the Group simplification, the Company acquired the issued share capital of certain subsidiaries and other assets from fellow Group companies. A number of these assets were subsequently sold to other Group companies. To the extent these transfers were not executed via a distribution, each transfer in this process was made at book value and in exchange for the issue of shares at par. Accordingly, neither gain nor loss has been recognised in the income statement in respect of these transactions.

Following this process, the Company directly owned 100% of the equity of Drax Research and Innovation Holdco Limited, Drax Smart Sourcing Holdco Limited and Drax Smart Supply Holdco Limited, and indirectly owned 100% of the issued share capital of the principal trading entities in the Group.

On 5 May 2017, the Group refinanced its external debt facilities. As part of this refinancing, a fellow Group company repaid certain of the external debt obligations of the Company in exchange for an intra-group payable of equivalent amount. One-off costs relating to the refinancing include the accelerated amortisation of the deferred finance costs of £6.4 million (2016: £Nil) and are included within the interest payable and similar charge line in the income statement.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Drax Corporate Limited

Strategic report for the year ended 31 December 2017 (continued)

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.

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.

Liquidity risk

Liquidity risk is the risk that the Company has insufficient cash to meet its short-term financial demands. The Group's Treasury function is responsible for liquidity, funding and settlement management under policies approved by the Board of Directors. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments. The Group and Company maintains a mixture of cash and cash equivalents, and committed and uncommitted facilities in order to ensure sufficient funding is available for business requirements.

Financial Risk

The Company holds index linked debt giving exposure to inflation risk. 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 16.

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.

Key Performance Indicators

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

	2017 £000	2016 £000
Profit after tax	176,972	46,938
Net current assets	87,710	46,918
Net assets	1,837,507	1,472,722

This report was approved by the board on 26 September 18 and signed on its behalf.



David McCallum
Company Secretary

Drax Corporate Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

The Company changed its name on 5 April 2017 from Drax Finance Limited to Drax Corporate Limited.

Dividends

The Company's profit after tax for the year amounted to £177.0 million (2016: £46.9 million). During the year dividends were paid totalling £231.5 million, equivalent to 0.6 pence per share (2016: £39.6 million, equivalent to 3.2 pence per share).

Subsequent to the year end, the Company has paid dividends totalling £110.0 million (2016: £Nil).

Directors

The directors who served during the year and subsequently were:

Andrew Koss
Will Gardiner

Matters covered in the strategic report

Details of the principal activities of the Company, the business review and future developments of the Company are disclosed in the Strategic report on pages 1 - 2.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 September 18 and signed on its behalf.



David McCallum
Company Secretary

Drax Corporate Limited

Directors' Responsibilities Statement for the year ended 31 December 2017

The directors are responsible for preparing the Strategic report, the Directors' report and the audited 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 to 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 Corporate Limited

Independent Auditor's Report to the Members of Drax Corporate Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Drax Corporate Limited (the 'Company') which comprise:

- the Income Statement
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Drax Corporate Limited

Independent Auditor's Report to the Members of Drax Corporate Limited (*continued*)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Drax Corporate Limited

Independent Auditor's Report to the Members of Drax Corporate Limited (*continued*)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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

We have nothing to report in respect of these matters.



Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London
United Kingdom

27 September 2018

Drax Corporate Limited

Income Statement for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Other income		343	-
Gross profit		343	-
Administrative expenses		(31,856)	(396)
Transaction and integration costs		(2,702)	-
Impairment in respect of fixed assets investments	10	(1,709,848)	-
Operating loss	4	(1,744,063)	(396)
Income from shares in group undertakings		1,941,548	60,209
Interest receivable and similar income	6	12,629	3,214
Interest payable and similar charges	7	(44,085)	(17,193)
Profit before tax		166,029	45,834
Tax on profit	8	10,943	1,104
Profit for the financial year attributable to the owners of the parent company		176,972	46,938

There was no other comprehensive income for 2017 (2016 - £Nil).

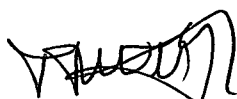
The notes on pages 11 to 27 form part of these financial statements.

Drax Corporate Limited

Balance sheet at 31 December 2017

Company number 05562058	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	505	-
Tangible assets	12	2,624	-
Fixed asset investments	13	2,331,873	1,746,590
		<hr/>	<hr/>
		2,335,002	1,746,590
Current assets			
Debtors:	14		
- amounts falling due after more than one year		500,513	100,395
- amounts falling due within one year		72,497	29,187
Cash at bank and in hand		168,279	261
		<hr/>	<hr/>
		741,289	129,843
Creditors: amounts falling due within one year	15	(653,579)	(82,925)
		<hr/>	<hr/>
Net current assets		87,710	46,918
		<hr/>	<hr/>
Total assets less current liabilities		2,422,712	1,793,508
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	16	(585,205)	(320,786)
		<hr/>	<hr/>
Net assets		1,837,507	1,472,722
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	419,047	1,233
Share premium account	19	4,035	4,035
Profit and loss account	19	1,414,425	1,467,454
		<hr/>	<hr/>
Equity attributable to the owners of the parent company		1,837,507	1,472,722
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



26 September 2018.

Will Gardiner
Director

The notes on pages 11 to 27 form part of these financial statements.

Drax Corporate Limited

Statement of Changes in Equity for the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	1,233	4,035	1,467,454	1,472,722
Comprehensive income for the year				
Profit for the year	-	-	176,972	176,972
Total comprehensive income for the year	-	-	176,972	176,972
Dividends paid	-	-	(231,534)	(231,534)
Shares issued during the year	417,814	-	-	417,814
Share based payment	-	-	1,533	1,533
Total transactions with owners	417,814	-	(230,001)	187,813
At 31 December 2017	419,047	4,035	1,414,425	1,837,507

Statement of Changes in Equity for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2016	1,233	4,035	1,460,118	1,465,386
Comprehensive income for the year				
Profit for the year	-	-	46,938	46,938
Total comprehensive income for the year	-	-	46,938	46,938
Dividends paid	-	-	(39,602)	(39,602)
Total transactions with owners	-	-	(39,602)	(39,602)
At 31 December 2016	1,233	4,035	1,467,454	1,472,722

The notes on pages 11 to 27 form part of these financial statements.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 General information

Drax Corporate Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office can be found on the Company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2 Accounting policies

2.1 Basis on preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 may require the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. There were no particular areas which involved a higher degree of judgement or complexity or where assumptions and estimates were significant to the financial statements, except those in note 3 below.

2.2 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Exemption from preparing consolidated 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.

2.4 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.5 Interest payable

Interest payable is charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

2.6 Interest receivable

Interest receivable is recognised in the Income Statement using the effective interest method

2.7 Intangible assets

Intangible assets comprise computer software measured at cost, which includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site.

After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Computer software - 3-5 years

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold fixtures and fittings - 10 years
Electronic equipment - 2-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Functional currency

These financial statements are presented in pounds sterling, which is the currency in which most transactions are denominated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are legally binding when members pass a written resolution, or when physically paid. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

2 Accounting policies (*continued*)

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with fair value of goods and services received.

2.17 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

2.18 Pensions

The Group operates a defined contribution plan for its employees, into which the Company pays contributions. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Accounting policies (continued)

2.19 Taxation

Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3 Significant estimation uncertainty

Subsidiary investments are held at cost less any impairment required. The Company assesses the existence of impairment indicators annually. Where an indication of impairment exists, the Company assesses the recoverable amount of the investment initially with reference to the value in use of the entity concerned. The estimated future cash flows that underpin such an assessment are inherently subject to estimation uncertainty. At 31 December 2017, the recoverable amount of the Company's investments exceeded their carrying values. No reasonably possible change in the assumptions made in determining the recoverable amount would have resulted in an impairment charge.

4 Operating loss

	2017 £000	2016 £000
The operating loss is stated after charging:		
Depreciation of tangible fixed assets	157	-
Amortisation of intangible assets	209	-
Exchange differences	118	-
Defined contribution pension cost	1,446	-
Operating lease payments		
- minimum lease payments	462	-

The fee for the audit of the financial statements was £2,000 (2016 – £1,000).

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

5 Employees

	2017 £000	2016 £000
Staff costs were as follows:		
Wages and salaries	15,926	-
Social security costs	1,743	-
Costs of defined contribution pension scheme	1,446	-
	<u>19,115</u>	<u>-</u>

Employees are contracted to another Group company, the above costs reflect the Company's share of the emoluments of those employees that were paid by the Company during the period.

In addition to the above costs, share-based payment charges of £1,532,534 (2016 - £Nil) have been recognised by the Company in the year (see note 20).

Remuneration for one of the directors of the Company (2016: zero), included within the above amounts, was as follows:

	2017 £000	2016 £000
Directors' emoluments	513	-
Aggregate amounts receivable under long-term incentive schemes	379	-
Value of Company's contributions to defined contribution pension scheme	79	-
	<u>971</u>	<u>-</u>

One director (2016: Two) received no remuneration in respect of services to the Company during the year.

Amounts received under long-term incentive schemes represents the charge arising from share-based payments included in the income statement, determined based on the fair value of the related awards at the date of grant.

The remuneration of the highest paid director is shown in the table above.

There were no other transactions with directors for the periods covered by these financial statements.

The average monthly number of employees whose remuneration was paid by the Company, including the directors, during the year was as follows:

	2017 Number	2016 Number
Business services	<u>147</u>	<u>-</u>

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

6 Interest receivable

	2017 £000	2016 £000
Interest from group undertakings	12,483	3,214
Bank and other interest receivable	146	-
	<u>12,629</u>	<u>3,214</u>

7 Interest payable and similar charges

	2017 £000	2016 £000
Interest payable on bank borrowings	4,347	13,083
Loans from group undertakings	16,299	2,044
Amortisation of deferred financing costs	1,832	2,066
Other bank charges	1,345	-
Refinancing costs	20,262	-
	<u>44,085</u>	<u>17,193</u>

Refinancing costs include the accelerated amortisation of deferred financing costs (£6,428,388) taken to the income statement following the repayment of the facilities to which they relate and fees paid to exit those facilities (£13,833,249).

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

8 Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	11,336	2,875
Adjustments in respect of previous periods	(393)	(1,771)
	<hr/>	<hr/>
Total current tax	10,943	1,104
	<hr/>	<hr/>

Factors affecting tax charge for the period

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	166,029	45,834
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(31,961)	(9,167)
Effects of:		
Non-taxable dividends from group undertakings	373,748	12,042
Prior year adjustment	(393)	(1,771)
Non-taxable impairment losses	(328,700)	-
Other	(1,751)	-
	<hr/>	<hr/>
Total tax credit for the year	10,943	1,104
	<hr/>	<hr/>

Factors that may affect future tax charges

The UK corporation tax main rates are set at 19% for the years starting 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020. These rates will therefore apply to tax payable by the Company in those years.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

9 Dividends

	2017 £000	2016 £000
Amounts recognised as distributions to shareholder in the year:		
Final dividend for year ended 31 December 2015 (equivalent to 0.2 pence per share)	-	2,440
Interim dividends for the year ended 31 December 2016 (equivalent to 3.0 pence per share)	-	37,162
Interim dividends for the year ended 31 December 2017 (equivalent to 0.06 pence per share)	231,534	-
	<u>231,534</u>	<u>39,602</u>

Subsequent to the year end, the Company has paid dividends totalling £110.0 million (2016: £Nil).

10 Impairment in relation to fixed asset investments

	2017 £000	2016 £000
Impairment of intra-group loan	2,314	-
Impairment of investment in subsidiaries	1,707,534	-
	<u>1,709,848</u>	<u>-</u>

11 Intangible assets

	Computer software £000
Cost	
Additions – external	714
At 31 December 2017	<u>714</u>
Amortisation	
Charge for the year	209
At 31 December 2017	<u>209</u>
Net book value	
At 31 December 2017	<u>505</u>
At 31 December 2016	<u>-</u>

Drax Corporate Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

12 Tangible fixed assets

	Leasehold Fixtures and fittings £000	Electronic equipment £000	Total £000
Cost			
Additions	75	2,706	2,781
	<hr/>	<hr/>	<hr/>
At 31 December 2017	75	2,706	2,781
	<hr/>	<hr/>	<hr/>
Depreciation			
Charge for the year	-	157	157
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	157	157
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2017	75	2,549	2,624
	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	-	-
	<hr/>	<hr/>	<hr/>

Included in leasehold fixtures and fittings and electronic equipment are amounts for assets under construction of £75k and £110k respectively (2016: £nil).

Drax Corporate Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

13 Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2017	1,789,842
Additions	3,438,489
Disposals	(1,145,672)
	<hr/>
At 31 December 2017	4,082,659
	<hr/>
Impairment	
At 1 January 2017	43,252
Charge for the period	1,707,534
	<hr/>
At 31 December 2017	1,750,786
	<hr/>
Net book value	
At 31 December 2017	2,331,873
	<hr/>
At 31 December 2016	1,746,590
	<hr/>

As part of the Group simplification process described on page 1, the Company acquired certain subsidiaries from fellow Group companies either via a distribution received or in exchange for the issue of ordinary shares. The distributions received and shares issued had a combined value of £3.4 billion. A number of these entities were subsequently sold to other Group companies in exchange for the issue of shares with a combined value of £1.1 billion. Where transfers in this process were made in exchange for the issue of shares, the transfer was made at book value and in exchange for the issue of shares at par.

As a result of this process, the Company now holds 100% of the issued share capital of Drax Research and Innovation Holdco Limited, Drax Smart Sourcing Holdco Limited and Drax Smart Supply Holdco Limited and Drax Smart Generation Holdco Limited. In addition, the Company indirectly owns 100% of the issued share capital of each of the main trading entities in the Group.

Following distributions received from subsidiaries as part of the simplification, the Company has impaired the investment carrying values taking a charge of £1.7 billion in the year (see note 10).

Drax Corporate Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

13 Fixed asset investments (*continued*)

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2017:

Name	Class of shares	Holding	Principal activity
Drax Holdings Limited + Drax Research and Innovation Holdco Limited	Ordinary	100%	Dormant
Drax Smart Generation Holdco Limited	Ordinary	100%	Holding company
Drax Smart Sourcing Holdco Limited	Ordinary	100%	Holding company
Drax Smart Supply Holdco Limited	Ordinary	100%	Holding company

Indirect Subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Abbott Debt Recovery Limited	Ordinary	100%	Debt recovery services
Abergelli Power Limited	Ordinary	100%	Power generation
Amite BioEnergy LLC*	Common	100%	Fuel supply
Baton Rouge Transit LLC*	Common	100%	Fuel supply
Hirwaun Power Limited	Ordinary	100%	Power generation
DBI O&M Company LLC*	Common	100%	Non-trading company
Domus Energy Limited	Ordinary	100%	Dormant
Donnington Energy Limited	Ordinary	100%	Dormant
Drax Biomass Holdings Limited	Ordinary	100%	Dormant
Drax Biomass Holdings LLC*	Common	100%	Dormant
Drax Biomass Inc.*	Common	100%	Wood pellet manufacturing
Drax Biomass International Holdings LLC*	Common	100%	Holding company
Drax Biomass Transit LLC*	Common	100%	Holding company
Drax CCS Limited	Ordinary	100%	Holding company
Drax Corporate Developments Limited	Ordinary	100%	Development company
Drax Fuel Supply Limited	Ordinary	100%	Non-trading company
Drax Generation Developments Limited	Ordinary	100%	Development company
Drax Generation (Selby) Limited	Ordinary	100%	Non-trading company
Drax GCo Limited	Guarantee	100%	In liquidation
Drax Innovation Limited	Ordinary	100%	Development company
Drax Ouse	Ordinary	100%	In liquidation
Drax Pension Trustees Limited	Ordinary	100%	Dormant

Drax Corporate Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

13 Fixed asset investments *(continued)*

Name	Class of shares	Holding	Principal activity
Drax Power Limited	Ordinary	100%	Power generation
Drax Retail Developments Limited	Ordinary	100%	Development company
Farmoor Energy Limited	Ordinary	100%	Power retail
Haven Heat Limited	Ordinary	100%	Non-trading company
Haven Power Limited	Ordinary	100%	Power retail
Haven Power Nominees Limited	Ordinary	100%	Non-trading company
Jefferson Transit LLC*	Common	100%	Dormant
LaSalle Bioenergy LLC*	Common	100%	Fuel supply
Millbrook Power Limited	Ordinary	100%	Power generation
Morehouse BioEnergy LLC*	Common	100%	Fuel supply
Opus Energy (Corporate) Limited	Ordinary	100%	Power retail
Opus Energy Group Limited	Ordinary	100%	Holding company
Opus Energy Limited	Ordinary	100%	Power retail
Opus Energy Marketing Limited	Ordinary	100%	Marketing services
Opus Energy Renewables Limited	Ordinary	100%	Renewables purchase
Opus Water Limited	Ordinary	100%	Dormant
Opus Gas Limited	Ordinary	100%	Power generation
Opus Gas Supply Limited	Ordinary	100%	Power retail
Pike Bioenergy LLC	Common	100%	Dormant
Progress Power Limited	Ordinary	100%	Power generation
Select Energy Limited	Ordinary	100%	Dormant
Sunflower Energy Supply Limited	Ordinary	100%	Dormant
Tyler Bioenergy LLC*	Common	100%	Dormant

+ The address of Drax Holdings Ltd is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

* incorporated in the USA.

Principal business address for all subsidiaries incorporated in the USA is 2571 Tower Drive, Suite 7, Monroe, LA 71201.

Where active, subsidiary undertakings operate in their country of incorporation. The registered office of all the companies incorporated in England and Wales is Drax Power Station, Selby, North Yorkshire, YO8 8PH.

All subsidiary undertakings have 31 December year ends.

The directors believe that the carrying value of the investments is supported by their underlying value in use.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

14 Debtors

	2017 £000	2016 £000
Due after more than one year:		
Amounts owed by group undertakings	500,513	100,395
Due within one year:		
Amounts owed by group undertakings	68,835	28,570
Social security and other debtors	3,462	-
Prepayments and accrued income	200	617
	72,497	29,187

The amounts due from other group undertakings within one year includes short-term trading balances that are settled according to normal payment terms and other funds provided that bear a commercial rate of interest and are repayable on demand.

Amounts due from other group undertakings after more than one year are repayable on specific due dates set out in the relevant agreement and bear a commercial rate of interest.

In the absence of payment, interest due is rolled over and capitalised.

15 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	2,390	-
Amounts owed to group undertakings	638,118	81,783
Accruals	13,071	1,142
	653,579	82,925

The amounts due to other group undertakings within one year includes short-term trading balances that are settled according to normal payment terms and other funds received that bear a commercial rate of interest and are repayable on demand. In the absence of payment on due dates, interest is rolled over and capitalised.

16 Creditors: Amounts falling after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	553,947	-
Term loans (see note 16)	31,258	320,786
	585,205	320,786

Amounts due to other group undertakings after more than one year are repayable on specific due dates set out in the relevant agreement and bear a commercial rate of interest payable on dates as set out within the agreement.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

17 Analysis of bank borrowings

Analysis of the maturity of loans is given below:

	2017 £000	2016 £000
Amounts falling due 2-5 years		
Borrowings before deferred finance costs	35,883	327,875
Deferred finance costs	(4,625)	(7,089)
	<hr/>	<hr/>
Net borrowings	31,258	320,786
	<hr/>	<hr/>

On 5 May 2017 the Group undertook a refinancing exercise. As a result of this exercise, £293 million of the existing term loans of the Company were repaid in full by another Group company, resulting in the creation of additional intra-Group payables.

The Company's remaining index-linked loan and revolving credit facility (RCF) were brought into a modified £350 million Facility comprised of a £315 million RCF and an index-linked term loan of £35 million.

The RCF matures in April 2021, with an option to extend by one year, and has a margin of 150 basis points over LIBOR. At 31 December 2017, no cash had been drawn down under the RCF.

The Company's borrowings are guaranteed and secured by the Company and each of its direct and indirect subsidiary undertakings, as set out in note 12.

The weighted average interest rate payable at the balance sheet date on the Company's borrowings was 4.38% (2016: 4.17%).

Contingent liabilities

The Group has access to secured commodity trading line, which allows us to transact prescribed volumes of commodity trades without the requirements to post collateral and FX trading lines with certain banks. Counterparties to these arrangements are entitled to share in the security as described above. As at 31 December 2017, the value was £3.6 million (2016: £0.9 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. At 31 December 2017 letters of credit issued under the revolving credit facility amounted to £35.7 million (2016: £57.9 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.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

18 Share capital

	2017 £000	2016 £000
Authorised		
419,046,647,002 (2016 – 2,000,000,000) ordinary shares of £0.0001 each	419,047	2,000
Allotted, called up and fully paid		
419,046,647,002 (2016 – 1,233,092,000) ordinary shares of £0.0001 each	419,047	1,233

On 5 May 2017 the Company issued 247,872,030,000 Ordinary shares of £0.001 each at par value in exchange for investments in Drax Smart Supply Holdco Limited, Drax Research and Innovation Holdco Limited and Drax Smart Sourcing Limited. On the same date a further 169,939,256,000 Ordinary shares of £0.001 each were issued for cash, which were fully paid up at the balance sheet date.

On 16 May 2017 the Company issued a further 2,269,000 Ordinary shares of £0.001 each for cash consideration which was fully paid up at the balance sheet date.

19 Reserves

Called up share capital reserve represents the nominal value of the shares issued.

Share premium account

This represents excess paid over the nominal value of shares issued, including issue costs.

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends or other adjustments.

20 Share based payments

Equity settled share option schemes

The Group operates two share option schemes for employees – the Performance Share Plan (PSP) for directors and senior executives (which replaced the Bonus Matching Plan (BMP) from 2017), and the Savings-Related Share Option Plan (SAYE) for all qualifying employees. The Company incurs a non-cash charge in respect of these schemes in the income statement, which is set out below along with a detailed description of each scheme and the number of options outstanding. The table below represents the credit to equity during the year:

	2017 £000	2016 £000
PSP (granted from 2017)	236	-
DSP (granted from 2017)	51	-
SAYE Plan	261	-
BMP (granted in periods prior to 2017)	985	-
	1,533	-

Additional information in relation to the Group's share-based incentive plans can be located in page 153 of the Drax Group plc Annual Report and Accounts for 2017.

Drax Corporate Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

21 Pension commitments

The Company contributes to a defined contribution pension scheme in respect of its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,446k (2016 - £Nil). There were no contributions payable at the balance sheet date in either the current or previous year.

22 Commitments under operating leases

At 31 December 2017, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Amounts due within 1 year	682	-
Amounts due after 1 year but not later than 5 years	2,726	-
	<hr/>	<hr/>
	3,408	-
	<hr/>	<hr/>

23 Ultimate parent undertaking and controlling party

The immediate parent company and controlling company 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.