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If you have sold or transferred all of your holding of Ordinary Shares in Drax Group plc, please forward this Circular and the accompanying documents (but not the personalised Form of Proxy or Form of Direction), as soon as possible, to the purchaser or the transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

You should read the whole of this Circular and all documents incorporated into it by reference in their entirety. Your attention is drawn to the letter from Philip Cox CBE, the Chairman of Drax Group plc, which is set out in Part I of this document and which contains a unanimous recommendation from the Board of Drax Group plc that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. Part II of this document entitled “Risk Factors” includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.



Drax Group plc

(Registered in England and Wales with registered number 5562053)

**Proposed acquisition by Drax Group plc of Opus Energy Group Limited
and
Notice of General Meeting**

A notice convening a General Meeting of Drax Group plc to be held at The Grand Hotel & Spa, Station Rise, York YO1 6GD on 8 February 2017 at 10:00am is set out at the end of this document.

For Shareholders, a Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you propose to attend the General Meeting, you are requested to complete and submit a Form of Proxy to the Company's Registrars, Equiniti Limited, Proxy Department, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 10:00am on 6 February 2017.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti Limited (CREST participant ID RA19) so that it is received by no later than 10:00am on 6 February 2017.

The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

For Share Incentive Plan (SIP) participants, a Form of Direction is enclosed with this document and, if used, should be sent to the Trustee, Equiniti Share Plan Trustees Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 10:00am on 3 February 2017. As a participant in the SIP you are unable to attend the General Meeting unless you hold shares registered in your own name.

This document is a circular relating to the Acquisition which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of Drax Group plc since the date of this document or that the information in it is correct as of any subsequent time.

J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Drax and for no one else in connection with the Acquisition and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition and will not be responsible to anyone other than Drax Group plc for providing the protections afforded to customers of J.P. Morgan Cazenove or for affording advice in relation to the Acquisition, the contents of this document or any transaction, arrangement or other matter referred to in this document.

This document contains forward-looking statements relating to the Drax Group, the Opus Group, the Enlarged Group and the Acquisition. Statements containing the words “intends”, “believes”, “anticipates”, “may”, “will”, “estimates” “expects” and “outlook” and words of similar meaning are forward looking. By their nature, all forward-looking statements are subject to assumptions, risks and uncertainties. Although Drax believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct and because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. The preceding sentence does not qualify the statement in paragraph 10 of Part VII (*Additional Information*) of this Circular. Each forward-looking statement speaks only as of the date of the particular statement. Drax does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Financial Conduct Authority, the Listing Rules and the Disclosure and Transparency Rules, the rules of the London Stock Exchange or by applicable law.

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Capitalised terms have the meaning ascribed to them in Part VIII (*Definitions*) of this Circular.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	18 January 2017
Latest time and date for receipt of Forms of Direction	10:00am on 3 February 2017
Latest time and date for receipt of Forms of Proxy or Crest Proxy Instructions	10:00am on 6 February 2017
General Meeting	10:00am on 8 February 2017
Expected date of Completion	10 February 2017
Announcement of Drax preliminary results for the year ended 31 December 2016	16 February 2017

NOTES:

Unless otherwise stated, references to times in this document are to London time.

Future dates are indicative only and are subject to change by Drax, in which event details of the new times and dates will be notified to the Financial Conduct Authority and, where appropriate, Shareholders.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Philip Cox CBE Dorothy Thompson CBE Will Gardiner Andy Koss David Lindsell Tim Cobbold Tony Thorne	<i>Chairman</i> <i>Chief Executive</i> <i>Chief Financial Officer</i> <i>Chief Executive, Drax Power</i> <i>Senior Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
General Counsel and Company Secretary	David McCallum	
Registered office	Drax Power Station Selby North Yorkshire YO8 8PH	
Sponsor and financial adviser	J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP	
Legal adviser	Slaughter and May One Bunhill Row London EC1Y 8YY	
Reporting accountants	Deloitte LLP 2 New Street Square London EC4A 3BZ	KPMG LLP Arlington Business Park Theale Reading RG7 4SD
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Insurance Broker	Willis Towers Watson The Willis Building 51 Lime Street London EC3M 7DQ	

PART I
LETTER FROM THE CHAIRMAN OF DRAX GROUP PLC

DRAX GROUP PLC

(Incorporated and registered in England and Wales with registered number 5562053)

Registered office:

Drax Group plc
Drax Power Station
Selby
North Yorkshire
YO8 8PH

Directors:

Philip Cox CBE	<i>Chairman</i>
Dorothy Thompson CBE	<i>Chief Executive</i>
Will Gardiner	<i>Chief Financial Officer</i>
Andy Koss	<i>Chief Executive, Drax Power</i>
David Lindsell	<i>Senior Independent Non-Executive Director</i>
Tim Cobbold	<i>Independent Non-Executive Director</i>
Tony Thorne	<i>Independent Non-Executive Director</i>

18 January 2017

Dear Shareholder,

Proposed Acquisition of Opus Energy Group Limited

1. Introduction

On 6 December 2016, Drax announced that it had entered into a binding conditional agreement with the Sellers in respect of the purchase of the entire issued share capital of Opus Energy Group Limited (“**Opus**”) for cash consideration of £340 million (the “**Acquisition**”), subject to adjustments set out in paragraph 3 below.

The Acquisition constitutes a Class 1 transaction under the Listing Rules. As a consequence, completion of the Acquisition is conditional on, among other things, the Acquisition receiving the approval of Shareholders. Accordingly, you will find set out at the end of this document a notice convening a General Meeting to be held at The Grand Hotel & Spa, Station Rise, York YO1 6GD on 8 February 2017 at 10:00am.

Completion of the Acquisition is expected (subject to the approval by Shareholders of the Acquisition) to be 10 February 2017.

I am writing to you on behalf of the Board to give you details of the Acquisition, including the background to and reasons for the Acquisition, and to explain why the Board considers the Acquisition to be in the best interests of Drax and its Shareholders as a whole.

You should read the whole of this document and not rely solely on the summarised information contained in this Part I (*Letter from the Chairman of Drax Group plc*).

2. Background to and reasons for the Acquisition

As previously outlined in our Half Year results on 26 July 2016, we have been exploring options to further improve earnings quality and deliver targeted long-term growth, evaluating opportunities to diversify across the markets in which we operate – pellet supply, generation and retail.

As part of this ongoing process, we announced on 6 December 2016 that we had entered into a conditional agreement to acquire Opus and an agreement to acquire four Open Cycle Gas Turbine (“**OCGT**”) development projects for electricity generation (further details of which are set out in paragraph 7.1(L) of Part VII (*Additional Information*)). We are also pursuing selected potential opportunities to acquire further wood pellet plants.

These opportunities mark a significant milestone in the execution of Drax's strategy, helping it to change the way energy is generated, supplied and used for a better future. We intend that this strategy of diversification will provide long term, sustainable value for the Drax Group extending past the closure of UK coal plants and the expiry of current renewable generation subsidies.

Further details on the Opus Group are set out in Part III (*Information on the Opus Group*).

The Board believes that the Acquisition provides a unique opportunity and is strategically and financially compelling. Opus will enhance Drax's retail offering by combining the leading "challenger" small and medium enterprise ("**SME**") business with Haven Power's strength in the industrial and commercial ("**I&C**") market. The combination provides a robust platform for growth, by combining Drax's and Haven Power's commercial capabilities and vertically integrated business model with Opus' established SME business and experience in both electricity and gas. The Acquisition leverages Drax's flexible, reliable, renewable generation offering to create energy solutions for customers. It also furthers Drax's strategic ambition to diversify and improve the quality of its earnings while increasing the contribution of businesses with long-term growth opportunities.

Key benefits of the Acquisition include:

Acceleration of Drax's retail strategy

The Acquisition provides access to a large and profitable SME-focused retail business. As the leading "challenger" brand in the SME market, Opus has demonstrated consistent sales and sustained growth in revenue and profitability¹ driven by customer satisfaction and high customer retention levels (>85% April 2015 to June 2016). As at 31 March 2016, Opus had a total of 129,025 customers (with 265,418 meters²), and as at 30 April 2016 had a non-domestic market share of 8% (by meters count).

Opus' experience and proven success in the SME market, combined with Haven Power's existing presence in the I&C market, represents an exceptional opportunity for Drax to develop a platform for the growth of its retail business and significantly expand its customer base in the profitable SME sector, accelerating the implementation of Drax's retail growth strategy.

Platform for growth

Over the last six years, Opus has trebled the number of meters contracted to 265,418 (as at 31 March 2016) and has driven profitability, through its low cost business model and strong customer service proposition. The Acquisition provides the Enlarged Group with established routes to market for electricity and gas in the SME market and Drax believes that the combination of Opus and Haven Power can drive market share growth in the SME market. The SME market covers a broad range of customers – at the large end commercial users, similar to I&C customers, while at the smaller end, users similar to domestic customers. The expertise and platforms shared by the combined business across both I&C and SME markets will enable the Enlarged Group to deliver new products and services and enhanced market coverage.

Compatible and complementary to existing retail business

Haven Power was acquired by Drax in 2009 as a credit-efficient route to market for the large volumes of electricity produced by Drax Power and to monetise electricity sales and renewable certificates, such as Renewables Obligation Certificates ("**ROCs**"). Haven Power has focused on growing market share in the I&C market and currently has limited presence in the SME market, where Opus is well established.

The Acquisition, therefore, complements Haven Power with its focus on a profitable separate and distinct customer segment. It will also enlarge the route to market for Drax's generation business and allow its retail business to achieve critical mass both in the non-domestic market and within the Drax Group. Opus' expertise in SME electricity and gas sales, combined with Haven Power's

¹ Excluding a reduction in the financial year ended 31 March 2016 reflecting the removal of the Climate Change Levy exemption for renewable power

² Small customers typically have a single site and therefore single meter, but larger, corporate customers may have multiple sites each with its own meter

track record in the I&C market and Drax's umbrella of generation-backed power and commodity risk management, is anticipated to provide distinct benefits in the future, including the opportunity for an alternative hedge to commodity market exposure.

Drax believes that Opus' expertise in different but related markets, a challenger mentality and a shared customer service ethos with Haven Power, together with its strong credit and risk management, including commodity risk, makes Opus a good cultural fit with Drax and contributes to the uniqueness of the Acquisition opportunity.

	Haven Power YE Dec 2015	Opus YE Mar 2016
Revenues (£m)	1,290 ⁽¹⁾	573 ⁽²⁾
Gross Profit (£m)	19 ⁽¹⁾	107 ⁽²⁾
<i>Gross profit margin</i>	<i>1%</i>	<i>19%</i>
Customer Meters (000's)	30	265
Power (TWh)	13.8	4
Gas (TWh)	—	1.7
Staff	c.400	c.693

(1) See Drax's 2015 Annual Report and Accounts

(2) See Part V (*Historical Financial Information relating to the Opus Group*)

Advances transition to broader, higher quality long-term earnings

Drax's current strategy is to enhance quality of earnings and manage its exposure to commodity and power markets by broadening the range of markets in which it operates with improvements in magnitude and stability of net income.

The Acquisition aligns with this strategy and is expected to deliver more broadly based, high quality and predictable earnings, today and in the long term. This will be driven by more revenue from electricity and gas sales in the SME market and Opus' high levels of customer retention (>85% in April 2015 to June 2016).

Attractive financial returns

Opus is expected to deliver strongly enhanced margins to Drax's retail business having experienced consistent mid-single digit operating profit / EBIT margins over the last three financial years. Opus is focused on small SME and multi-site corporate groups obtained via an extensive network of third party intermediaries ("**TPIs**") and is supported by a specialist customer service department. The utilisation of TPIs has helped to increase Opus' customer base and has established a broad sales network incentivised to maximise margin. Together with a simplified pricing model and quick customer revenue collection, Opus delivers significantly higher net margins per customer than those currently achieved by Haven Power in the higher volume, low margin I&C sector. In addition, over the last three financial years, the difference between Opus' operating profit / EBIT and EBITDA has remained consistently low reflecting the low capital intensity of its business.

The Acquisition is expected to add both short and long-term financial benefits to Drax. Drax expects to achieve a return on invested capital higher than its current cost of capital. The addition of the well-established and growing Opus business with its high profitability and high cash conversion is expected to be significantly accretive to earnings and cash flow in 2017, with Opus having delivered EBITDA of £33.7 million, operating profit / EBIT of £32.8 million and cash from operations of £34.3 million in the financial year ended 31 March 2016.

To illustrate the financial effects of the Acquisition on the assets and liabilities of the Company, an unaudited pro forma statement of net assets as at 31 December 2015 is set out in Part VI (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*).

Synergy potential

The principal synergy for the Enlarged Group will be the opportunity for Opus to benefit from the sourcing of wholesale electricity and gas from Drax Power. Currently, Opus fulfils the majority of

its wholesale electricity and all of its gas purchasing requirements through agreements with a single counterparty. Opus incurs additional costs under these agreements (in excess of the underlying costs of the energy supplied), which vary depending on, amongst other things, the volume of energy supplied, the prevailing market price of energy purchased, the time Opus requested it from the counterparty and the accuracy of Opus' forecasts. Further details on these arrangements are set out in Part III (*Information on the Opus Group*).

In the year following Completion, Drax intends Opus to terminate these arrangements and for this wholesale energy to instead be sourced through Drax Power. Following replacement of these arrangements, Drax therefore expects that the majority of any future additional costs (in excess of the underlying costs of the energy supplied) relating to this wholesale purchase will be eliminated for the purposes of the Enlarged Group. This is because the service will be provided on an intra-group basis by Drax Power (which has the existing capability and expertise to source gas in the wholesale market as well as electricity) rather than by a third party, although Drax Power will incur some third party costs in providing these services.

Drax also expects the consolidation of commodity positions within the Enlarged Group to achieve some economies of scale through the consolidation of Haven Power's and Opus' electricity imbalance positions and consequential reductions in associated imbalance costs.

Haven Power has identified that smaller customers in its target market place are increasingly preferring suppliers who can offer a dual supply of gas and electricity and that Haven Power's current single commodity offering is disadvantaging it compared with some competitors. Opus' capability within the gas market may be used to satisfy this demand without Haven Power having to independently develop the capability.

The Acquisition will also allow Drax to drive traditional operational efficiencies over time. In particular, Opus' IT platform is expected to be able to absorb forecast customer growth in the immediate future, while Haven continues work on a new enterprise resource planning-based technology solution which can be used in conjunction with Opus' IT platform across the Enlarged Group's retail business. The ability of Opus' IT platform to absorb forecast customer growth therefore allows Drax both the time and the flexibility to create a sustainable IT platform solution for the Enlarged Group in the medium term.

3. Summary of the principal terms of the Acquisition

Drax Developments (a wholly owned subsidiary of Drax), along with Drax and DGHL (another wholly owned subsidiary of Drax, acting as guarantor), entered into an acquisition agreement (the "**Acquisition Agreement**") with the Sellers on 6 December 2016 in relation to the Acquisition for an equity purchase price (with no adjustment for net debt) of £340 million.

As part of the transaction, a "locked box" mechanism has been agreed from 31 March 2016 to Completion. This has the effect of "economic ownership" of Opus (and all profits earned) passing to Drax Developments as at 31 March 2016, by preventing cash and cash equivalents being paid out of Opus to the Sellers or persons connected to them (other than certain items agreed in the Acquisition Agreement, including the dividend paid in April 2016). To compensate the Sellers for this, an additional sum equal to 8% per annum on the purchase price (pro-rated for the actual period between 31 March 2016 and Completion) will also be paid to the Sellers at Completion.

As at 31 March 2016, Opus had net debt (once adjusted for the payment of a dividend of £25 million in April 2016) of £3 million³. Following Completion, it is expected that the existing debt facilities of Opus will be repaid and cancelled and any working capital requirements of Opus will be met using debt facilities and existing cash of the Enlarged Group.

Arrangements have also been made for: (i) the purchase of any additional Opus shares issued as a result of the exercise of existing share options as part of the Acquisition; and (ii) the payment of equivalent compensation for unexercised share options. Any payments made under these arrangements will be deducted from the purchase price payable to the Sellers such that the total consideration payable by Drax Developments is not affected.

³ As set out in Part V (*Historical Financial Information relating to the Opus Group*), Opus had cash and cash equivalents of £22.3 million and no other borrowings as at 31 March 2016. This has been adjusted for the payment of a dividend of £25.4 million in April 2016.

Completion is expected in Q1 2017. The Acquisition is conditional upon:

- the approval of the Acquisition by Shareholders, which is required as the Acquisition constitutes a Class 1 transaction under the Listing Rules; and
- the CMA not having made an order or a reference under the UK merger control regime such that the Acquisition is prohibited from completing while the CMA completes an investigation.

In addition, the Acquisition was conditional upon the approval by the European Commission of the CfD Investment Contract awarded to Drax by the UK government. This approval was obtained on 19 December 2016.

DGHL has agreed to guarantee the obligations of Drax Developments under the Acquisition Agreement. Drax has also provided certain customary undertakings in relation to the shareholder approval process.

The Management Sellers have given to Drax Developments customary warranties relating to Opus' business and warranties and covenants relating to Opus' tax position. Drax Developments has arranged a warranty and indemnity insurance policy to provide additional cover up to £50 million in respect of those warranties and covenants (subject to certain exceptions and limitations).

Further details of the Acquisition Agreement and the Warranty and Indemnity Insurance Policy are set out in Part IV (*Principal Terms of the Acquisition*).

4. Financing of the Acquisition

The consideration in respect of the Acquisition will be financed entirely by a new acquisition debt facility of up to £375 million (the "**Acquisition Facility Agreement**").

Drax aims to maintain a credit rating in the BB range in line with its robust sub-investment grade business model. This is consistent with the recent update from S&P, which confirmed the existing rating.

Drax will consider potential options for its long-term financing strategy (including the refinancing of the Acquisition Facility Agreement) in 2017.

Further details of the Acquisition Facility Agreement are set out in paragraph 7.1(D) of Part VII (*Additional Information*).

5. Current trading and outlook

(a) Drax

The Directors confirm Drax's standalone outlook as described in the trading update announcement on 6 December 2016, extracts of which are set out below:

"Since publishing its half year results on 26 July, trading conditions in the markets in which Drax operates have improved, with higher power and commodity prices.

Drax's second major planned biomass unit outage was completed over the summer. The outage commenced earlier than planned due to a generator issue but has now been completed with no biomass related issues identified. Both biomass and coal operations are currently performing well, although availability of biomass units over the period has been lower than forecast due to the generator issue noted above and an unplanned outage on fuel feed systems.

Taking these factors into account, amongst others, based on the current power prices and good operational availability for the remainder of the year, alongside CfD revenues during December, Drax continues to expect full year EBITDA to be around the bottom of the range of current analyst forecasts⁴."

The Directors have continued to see positive trading from Drax in the period since the trading update announcement on 6 December 2016 and confirm that Drax's standalone outlook as

⁴ Based on a range of market forecasts for EBITDA, published since 26 July 2016, of £135 million to £169 million. These forecasts generally assume a CfD Investment Contract for Drax's third biomass unit conversion with a strike price of £100/MWh in (2012 terms) by January 2017.

described above remains correct at the date of this document (see paragraph 14.1 of Part VII (*Additional Information*) for further information). The approval by the European Commission of Drax's CfD Investment Contract for Drax's third biomass unit conversion was obtained on 19 December 2016, with the strike price remaining at £100/MWh (in 2012 terms) and no changes to the terms of the contract.

(b) Opus

Opus has continued to achieve strong growth in the number of meters supplied since 31 March 2016. Electricity meter numbers exceeded 243,000 at 31 October 2016, a 15% increase since the end of October 2015, with gas meters up by 29% to over 52,000, resulting in a total meter count exceeding 295,000. Volumes supplied to customers in the first seven months of the financial year were also significantly up (17% in electricity and 22% in gas). The average prices charged to customers over the period decreased as a result of lower commodity prices (3% reduction in average electricity price and 5% lower gas prices). Based on Opus' unaudited management accounts, the combination of these factors has resulted in turnover for the first seven months of the financial year ending 31 March 2017 of £337 million which was 13% higher than the corresponding period in the financial year ended 31 March 2016.

In addition, the Directors note the following statement that was made in respect of Opus in the announcement of the Acquisition on 6 December 2016:

"...it is expected that EBIT for the year ending 31 March 2017 will be generally in line with EBIT for the year ended 31 March 2016."

The Directors confirm that, excluding one-off exceptional transaction costs relating to the Acquisition payable by Opus (which are expected to be approximately £3 million), this statement remains correct.

The Historical Financial Information relating to the Opus Group, at Part V (*Historical Financial Information relating to the Opus Group*), shows operating profit / EBIT for the year ending 31 March 2016 was £32.8 million (see paragraph 14.2 of Part VII (*Additional Information*) for further information).

6. Costs and risks relating to the Acquisition

Whilst the Board considers the Acquisition to be in the best interests of Drax and its Shareholders as a whole there are a number of potential risks and uncertainties that Shareholders should consider before voting on the Resolution. Your attention is drawn to the further discussion of certain of these risks and uncertainties set out in Part II (*Risk Factors*).

In particular, following Completion, the Opus Group will be integrated into the Drax Group and, although Drax is putting in place a detailed integration plan, as with any integration exercise this process may present both expected and unexpected challenges and costs. In particular, Drax expects to incur costs in respect of the team put in place to implement the integration process and from retention arrangements agreed with certain senior employees. In addition, it is possible that, even after integration of the businesses, the expected benefits of the Acquisition might take longer than anticipated to realise or might not be realised.

As set out above, the Enlarged Group will have further indebtedness due to the new financing under the Acquisition Facility Agreement and will be required to service interest payments in respect of this. Following announcement of the Acquisition, S&P affirmed that Drax's corporate rating remained at BB.

Drax will also incur a number of other customary costs in relation to the Acquisition more generally (including legal, accounting, financial adviser, sponsor and other transaction fees), some of which will be payable regardless of whether the Acquisition reaches Completion.

7. General Meeting

Set out at the end of this document is a notice convening the General Meeting which is to be held at The Grand Hotel & Spa, Station Rise, York YO1 6GD on 8 February 2017 at 10:00am at which the Resolution will be proposed. The Resolution is set out in full at the end of this document in the Notice of General Meeting. As a Class 1 transaction for the purposes of the Listing Rules, the Acquisition may only be completed if it is first approved by Shareholders. Voting on the Resolution will be taken on a poll, rather than a show of hands, to reflect the number of shares held by a Shareholder, whether or not the Shareholder is able to attend the meeting. The Resolution requires the approval of a majority of the votes cast (in person or by proxy) at the meeting in order to be passed.

8. Action to be taken

Whether or not you propose to attend the General Meeting, you are requested to:

- (A) complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed thereon and contained in this Circular so as to be received by the Registrars no later than 10:00am on 6 February 2017;
- (B) register the appointment of your proxy electronically via the internet at www.sharevote.co.uk, where full instructions are given. Please note that the personalised numbers printed at the top of the Form of Proxy will be required and instructions must be received by no later than 10:00am on 6 February 2017; or
- (C) if you hold shares in CREST you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrars (CREST participant ID RA19) so that it is received by no later than 10:00am on 6 February 2017.

The return of a completed Form of Proxy, electronic proxy appointment or CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so. Share Incentive Plan participants are unable to attend the meeting unless they hold shares registered in their own name.

9. Financial advice

The Board has received financial advice from J.P. Morgan Cazenove in relation to the Acquisition. In providing their financial advice to the Board, J.P. Morgan Cazenove has relied upon the Board's commercial assessment of the Acquisition.

10. Recommendation

In the Board's opinion, the Acquisition is in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial shareholdings of Ordinary Shares, being in aggregate 481,011 Ordinary Shares, representing approximately 0.12% of Drax's issued ordinary share capital as at the Latest Practicable Date.

We are pleased that five of our leading Shareholders representing, as at the announcement of the Acquisition, over 45% of Drax's issued share capital have indicated that they will support the Acquisition, and we thank them for their support.

Yours sincerely,

Philip Cox CBE
Chairman

PART II RISK FACTORS

Prior to making any decision to vote in favour of the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific factors and risks described below.

Drax considers these to be the known material risk factors relating to the Acquisition for Shareholders to consider. These should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks of which the Board is not aware or which it believes to be immaterial which may, in the future, be connected to the Acquisition and have a material and adverse effect on the business, financial condition, results of operations or future prospects of the Enlarged Group after the Acquisition.

The risks described below relate only to the Acquisition and are not set out in any particular order of priority.

1. RISKS RELATED TO THE ACQUISITION

The Acquisition is conditional and may not proceed

As described in paragraph 1.3 of Part IV (*Principal Terms of the Acquisition*), Completion is conditional upon the passing of the Resolution and the CMA not having made an order or a reference under the UK merger control regime such that the Acquisition is prohibited from completing while the CMA completes an investigation. In the event that the conditions are not satisfied by the Long Stop Date (or such later time as the parties may agree), the Acquisition Agreement will automatically terminate.

In addition, Drax Developments has retained the right to rescind the Acquisition Agreement in certain circumstances (details of which are set out in paragraph 1.4 of Part IV (*Principal Terms of the Acquisition*)).

The Acquisition may be reviewed under UK merger control legislation

As the Drax Group currently operates a retail electricity supply business and Opus' turnover in its last audited annual accounts exceeds £70 million, the UK merger control regime applies to the Acquisition. As a result, it is possible that the CMA may instigate an investigation into the Acquisition.

The CMA has the power to: (i) impose an order, such as a "hold separate" order (which would, among other things, delay the integration of the Drax Group and the Opus Group and prevent the Drax Group from doing anything which might impair the ability of the Opus Group to compete independently in any markets affected by the Acquisition), pending any decision being made by the CMA; and/or (ii) require remedies as a consequence of the Acquisition, such as the divestment by the Enlarged Group of certain assets or businesses, the imposition of restrictions on the conduct of the businesses of the Enlarged Group and/or other behavioural remedies.

Drax has not received any notification from the CMA that it intends to make any order or reference or open any investigation in relation to the Acquisition.

The Enlarged Group may not realise, or it may take the Enlarged Group longer to realise, the expected benefits of the Acquisition

The Enlarged Group may fail to achieve certain or any of the anticipated benefits that Drax expects to realise as a result of the Acquisition, including as a result of poor performance by the Opus Group, or it may take longer than expected to realise those benefits. If the anticipated benefits, such as the anticipated financial returns or the opportunity for market share growth, are not achieved, or take longer than expected to be realised, this could have a material adverse impact on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group may experience operational difficulties in integrating the Opus Group into the Drax Group

The Drax Group and the Opus Group currently operate and, until Completion, will continue to operate as separate and independent businesses. The Acquisition will lead to the incorporation of the Opus

Group into the Drax Group and the success of the Enlarged Group will depend, in part, on the success of that integration and the ability of the Enlarged Group to realise the anticipated benefits from combining the two businesses.

The integration process is likely to present administrative, managerial and financial challenges, some of which may not be identified until after the process is underway. Unforeseen difficulties, costs, liabilities, losses or delays could adversely affect the business of the Enlarged Group and the realisation of the benefits of the Acquisition.

Potential difficulties in the integration process include:

- co-ordinating services and operations;
- consolidating and integrating procedures, systems, facilities, accounting functions, compensation structures and other policies;
- the physical relocation of employees of the Enlarged Group (including complexities relating to (i) the growth of the new office in Cardiff recently opened by Opus and (ii) Opus' consolidation of its existing Northampton offices into a new building);
- integrating the management teams and retaining and incentivising key employees in the Enlarged Group;
- operating and integrating different technology platforms and systems;
- replacement of certain wholesale supply arrangements and harmonisation of these activities within the Enlarged Group; and
- disruption to the ongoing business of the Drax Group and the Opus Group.

The failure of, or any delays or difficulties encountered in connection with, the integration process could also lead to reputational damage to the Enlarged Group.

The Enlarged Group will have increased debt financing

Following Completion, the Enlarged Group will have further indebtedness due to the inclusion in the Enlarged Group of the new financing under the Acquisition Facility Agreement taken out by Drax Developments to finance the Acquisition (details of which are set out in paragraph 7.1(D) of Part VII (*Additional Information*)). The Enlarged Group will accordingly be required to service interest payments in respect of the Acquisition Facility, as well as being subject to a number of covenants in addition to those included in its current financing arrangements.

The increased financial indebtedness of the Enlarged Group, as well as additional covenants in the Enlarged Group's financing, may result in operational constraints for the Enlarged Group going forward, which may adversely affect the business, financial condition, results of operations and prospects of the Enlarged Group.

Drax's acquisition and integration costs may be greater than anticipated

Drax expects to incur a number of costs in relation to the Acquisition, including the cost of integrating the Opus Group into the Drax Group in order to combine the operations of Drax and the Opus Group successfully. The actual costs of the integration process may exceed those estimated and there may be further additional and/or unforeseen expenses incurred in connection with the Acquisition.

In addition, Drax will incur legal, accounting, financial adviser, sponsor and other transaction fees and costs relating to the Acquisition. Some of these costs will be payable regardless of whether the Acquisition reaches Completion.

While Drax believes that the integration and acquisition costs will be more than offset by the realisation of the benefits resulting from the Acquisition, this net benefit may not be realised in the short term or at all (particularly if the Acquisition does not proceed) or may be less than anticipated. This could affect the business, financial condition, results of operations and prospects of Drax and, following Completion, the Enlarged Group.

The Acquisition may impact the Drax Group's and the Opus Group's relationship with their existing providers, customers and TPIs

It is possible that the Acquisition may be negatively interpreted by the Drax Group's and/or the Opus Group's existing suppliers, customers, TPIs and/or other commercial partners. If, as a result of the Acquisition, a significant number of the Drax Group's and/or the Opus Group's existing suppliers, customers, TPIs and/or other commercial partners ceased doing, or materially reduced their, business with the Enlarged Group, there could be a material adverse impact on the Enlarged Group's business, financial condition, results of operations and prospects.

Management attention may be diverted from the business of the Drax Group by the Acquisition

The Acquisition has required, and will continue to require, substantial amounts of both time and focus from the Drax Group (in particular its retail business) and the Opus Group management teams, which could adversely affect their ability to operate each respective business effectively and efficiently. The Enlarged Group's management will also be required to devote significant attention and resources to integrating the two businesses. There is a risk that the challenges associated with managing the Acquisition will result in management distraction and that consequently the underlying businesses will not perform in line with expectations.

The loss of one or more of the Opus Group's key employees could adversely affect the Enlarged Group's business, prospects, financial condition and results of operations

The calibre and performance of the Opus Group's key employees will be important to the success of the Opus Group's contribution to the Enlarged Group going forward. While plans are in place for the retention of certain key employees, there can be no assurance that the Acquisition will not result in the unplanned departure of key employees of the Opus Group.

Adverse change in the condition of Opus

Drax Developments may only terminate the Acquisition Agreement prior to Completion in certain circumstances (details of which are set out in paragraph 1.4 of Part IV (*Principal Terms of the Acquisition*)) or if the conditions to Completion are not satisfied. Completion is expected to occur on 10 February 2017, subject to the passing of the Resolution at a General Meeting of the Shareholders.

While Drax Developments has certain consent rights over the actions taken by Opus prior to Completion, until Completion, Drax will not own or run the Opus Group and it is possible that there could be an adverse event affecting the Opus Group which would not give rise to a right of Drax Developments to terminate the Acquisition. In such an event, the value of the Opus Group may be less than anticipated by Drax.

The Acquisition Agreement includes limited protections provided to Drax Developments by the Sellers

The liability of the Sellers pursuant to the Acquisition Agreement is limited by, among other things:

- a time limit on claims under business warranties of eighteen months following Completion and claims under tax warranties and the tax covenant of seven years following Completion; and
- an aggregate financial cap of: (i) for warranty and tax covenant claims, £3.4 million; and (ii) for all other claims, the purchase price paid by Drax. Both of these caps are split severally between the Sellers in accordance with the proportion of their shareholdings in Opus.

In addition, the liability of the insurers under the Warranty and Indemnity Insurance Policy is subject to further limitations in addition to those contained in the Acquisition Agreement. In particular, there is an overall cap on liability of £50 million. Part IV (*Principal Terms of the Acquisition*) sets out further details of these limitations.

Accordingly, the Drax Group may not have recourse against, or otherwise be able to recover from, the Sellers or under the Warranty and Indemnity Insurance Policy in respect of material losses which it may suffer in respect of a breach of warranty or otherwise in respect of liabilities of the Opus Group.

If any material liabilities arose and it was not possible to make a claim under the warranties or indemnities in respect thereof, or if any losses could not be fully recovered in respect of claims under the Acquisition Agreement, this could adversely affect the Enlarged Group's business, results of operations, financial condition and prospects.

2. RISKS RELATING TO THE DRAX GROUP, THE OPUS GROUP AND/OR THE ENLARGED GROUP FOLLOWING THE ACQUISITION

This section documents those risks and uncertainties currently faced by the Drax Group and, following the Acquisition, the Enlarged Group, which are potentially impacted by the Acquisition.

The cost of debt financing could increase or financing could cease to be available

The ability of the Drax Group (and, following Completion, the Enlarged Group) to operate its business depends in part on being able to raise funds. While the Drax Group currently seeks to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities, there can be no assurance, particularly in the current economic environment that, over the longer term, the Enlarged Group will be able to find lenders who are willing to lend on no worse terms than its existing financing arrangements, or at all, or that existing financing arrangements (including the Acquisition Facility) will be able to be refinanced on no worse terms, or at all, upon or prior to maturity.

An increase in the cost, or lack of availability, of finance and capital could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group may be unable to pass on a proportion of increased third party costs to customers

Both the Drax Group and the Opus Group are subject to charges which are outside of their control in relation to the supply of electricity to customers ("**Third Party Charges**"). Third Party Charges include, but are not limited to, Grid Charges, together with charges arising from the Renewables Obligation on electricity suppliers, the small scale Feed-In-Tariff, and charges administered by the Low Carbon Contracts Company and the Electricity Settlements Company for the costs of Contracts for Difference and the Capacity Market respectively. Both the Drax Group and Opus, in accordance with market practice, pass on these Third Party Charges to customers pursuant to the terms of their customer supply contracts.

The power supply industry is expected to experience higher rates of increase in Third Party Charges in the future as a result of the likely continued increase in the proportion of renewable generation in the energy supply market. There is consequently a risk that the Enlarged Group will not be able to pass on the full amount of any such increases in Third Party Charges to customers. This risk is particularly acute in relation to the business of the Opus Group, and therefore the Enlarged Group following Completion of the Acquisition, owing to the fact that Opus has historically passed on its Third Party Charges to customers through the application of small periodic price rises. It is possible therefore, in circumstances where Third Party Charges increase beyond the allowances made in Opus' contracts or previously passed on, that the Enlarged Group will, in respect of Opus customers, either (i) be unable to successfully pass on the unanticipated portion of Third Party Charges; or (ii) will experience a reduced customer base as a result of passing on increased Third Party Charges resulting in an adverse impact on the Enlarged Group's business, financial condition, results of operations or prospects.

The Enlarged Group's reliance on TPIs will increase

The Opus Group is reliant on its relationships with TPIs in order to access new customers and grow its business. Following Completion of the Acquisition, the Enlarged Group will have a significantly larger retail business and the importance of its relationships with TPIs will be significantly increased.

Opus' relationships with TPIs are currently maintained by members of the Opus team. While plans are in place for the retention of key members of the Opus management, there can be no assurance that the Acquisition will not result in the departure of Opus employees who are important to relationships with TPIs and there is a risk that these relationships would subsequently terminate or become less

productive. Should the Enlarged Group's relationships with key TPIs, or a significant number of TPIs, terminate following Completion of the Acquisition, this might result in an adverse impact on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, the Enlarged Group's increased engagement with TPIs means that it has a greater exposure to behaviour or practices of such TPIs adversely impacting on the Enlarged Group's reputation or operations.

The Enlarged Group will be exposed to increased risks in relation to its obligations to provide Advanced Meters ("AMRs") and Smart Meters to customers

Provision of AMRs

Both the Drax Group and the Opus Group are required, pursuant to their supply licences, to take all reasonable steps to provide AMR technology to certain of their customers. Failure to comply with the obligation to provide AMRs may result in the issue of material fines by the industry regulator Ofgem. Prior to Completion, Drax will not own the Opus Group and therefore only once Completion has occurred will Drax be able to manage the process by which Opus customers are provided with AMRs. AMRs were required to be provided by April 2014, and Ofgem has concluded enforcement action against two large suppliers and an additional supplier is currently under investigation for possible non-compliance.

Provision of Smart Meters

Pursuant to regulatory obligation, the Enlarged Group will be required to take all reasonable steps to provide Smart Meters to its customers by the end of 2020 (with the exception of those customers supplied via certain advanced meter types). Following Completion of the Acquisition, the Enlarged Group will have a significantly larger customer base to whom Smart Meters must be provided. Given the increased number of Smart Meters that the Enlarged Group will be required to provide to its customers, there is an increased risk that it will be unable to do so prior to the end of 2020, potentially resulting in the Enlarged Group incurring a fine from its regulator Ofgem. In addition to any possible fine, the Enlarged Group is exposed to the risk that it will incur greater than expected costs and expenses in providing Smart Meters to its customers ahead of the end of 2020.

The Enlarged Group will have an increased exposure to short-term price volatility

Opus' customer demand is more weather correlated than the current Drax Group retail demand and the Enlarged Group will have an increased risk of short-term changes in customer usage. In particular, it may have an increased exposure to higher than normal customer demand at times of higher than normal prompt wholesale prices. This comes against a background of generally increasing volatility in prompt power markets. While the Enlarged Group will take measures to forecast demand and hedge accordingly, there is a risk that variances in forecast and actual customer demand may lead to an increase in balancing costs for the Enlarged Group.

The Enlarged Group may become exposed to increased regulatory risk

The Enlarged Group will operate in a highly regulated market subject to detailed legislation and regulation. Following Completion of the Acquisition, the size of the Enlarged Group's business will increase and it will have a significantly larger customer base and retail business. The increased size of the Enlarged Group, and particularly its larger customer base and supply business, may lead to increased risk of regulatory scrutiny or risk arising from regulatory change as regulators seek to ensure customer interests are sufficiently protected. Increased regulatory scrutiny may result in actions against the Enlarged Group for non-compliance with the regulatory framework. The Enlarged Group may also become increasingly exposed to the impact of changes to the legal or regulatory framework in which the Enlarged Group will operate.

The retail energy supply markets in which the Enlarged Group will participate are competitive

The Enlarged Group will operate in a competitive market for retail energy supply. Both the Drax Group and the Opus Group are currently exposed to risks arising from a high level of competition in the

market for retail energy supply from both large established players and smaller new entrants. Following Completion of the Acquisition, it is possible that either in response to the Acquisition or as a general strategy, the Enlarged Group's competitors may employ highly competitive strategies, such as predatory pricing, which may mean that the Enlarged Group is unable to compete effectively, leading to a reduction in profits and market share and an adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

PART III INFORMATION ON THE OPUS GROUP

1. Overview

Founded in 2002, Opus is a business to business (“B2B”) supplier of electricity, gas and related services in the UK, employing c.870 people across Northampton, Oxford and Cardiff. By number of customers, Opus is the UK’s largest non-domestic energy supplier outside of the Big 6⁵, with an established customer base and a non-domestic market share of 8% (by meters count) as at 30 April 2016. As at 30 April 2016, Opus was the UK’s 6th largest non-domestic electricity supplier (by meters) and the 8th largest gas supplier (by meters). Opus supplied 4.0TWh/year of electricity and 1.7TWh/year of gas between 1 April 2015 and 31 March 2016. Compared to Drax which operates both in the large I&C and SME markets, Opus is focused on SME customers. It has two core divisions made up of “small”, predominantly single site SME customers and larger “corporate” multi-site SME customers.

Compared with the I&C market, the SME market is characterised by lower energy consumption per meter and higher gross margins per MWh with high customer retention rates. A large share of contracts are entered into via TPIs in the SME market and, in comparison to the I&C market, customer bad debt as a proportion of revenue is on average higher.

Over 85% of Opus’ small SME customers have chosen to stay with the Opus Group year on year. In Datamonitor’s 2014⁶ B2B energy buyer customer satisfaction survey, the Opus Group was ranked number 1 for customer service in the UK.

2. Financial information

For the financial year ended 31 March 2016, Opus had a turnover of £573 million, achieving year on year growth of 9%. Opus’ average annual turnover growth rate over the past two years is 15%. Gross profit for the year ended 31 March 2016 was also up 10% from the previous financial year to £107 million and gross assets totalled £165 million. Opus’ market share (by meters) increased by 1% in the year ended 30 April 2016. Opus’ net debt as at 31 March 2016 (once adjusted for the payment of a dividend of £25 million in April 2016) was £3 million⁷.

Opus had the following key metrics in the three financial years to 31 March 2016:

	<u>Mar-14</u>	<u>Mar-15</u>	<u>Mar-16</u>
Revenues (£m)	434	524	573
<i>Year on year growth %</i>		<i>21%</i>	<i>9%</i>
Gross Profit (£m)	79	97	107
<i>Gross profit margin %</i>	<i>18%</i>	<i>19%</i>	<i>19%</i>
Operating and Administrative Expenses (£m)	49	60	73
EBITDA (£m) ⁽¹⁾	30	38	34
Operating profit / EBIT (£m) ⁽¹⁾	29	37	33
Cash from Operations (£m)	28	32	34

Sources and notes:

(1) Reduction in financial year ended 31 March 2016 reflects removal of Climate Change Levy Exemptions

3. Business description

Small SME

Opus offers electricity and gas products to small SMEs and has established various channels for acquisition and retention of SME customers, including internal channels such as renewal or change of tenancy and external channels such as direct marketing and TPIs. In the financial year

⁵ Big 6: British Gas (Centrica plc), E.ON UK, EDF Energy, RWE npower, SSE, Scottish Power.

⁶ Datamonitor has ceased publishing its B2B energy buyer customer satisfaction survey since 2014.

⁷ As set out in Part V (*Historical Financial Information relating to the Opus Group*), Opus had cash and cash equivalents of £22.3 million and no other borrowings as at 31 March 2016. This has been adjusted for the payment of a dividend of £25.4 million in April 2016.

ended 31 March 2016, Opus supplied 2.1TWh to 124,552 electricity meters and 1.7TWh to 44,591 gas meters belonging to small SME customers. For the financial year ended 31 March 2016, small SME sales generated turnover of £323 million.

Corporate

Opus offers fixed and flexible products to a wide range of corporate electricity and gas customers. In the financial year ended 31 March 2016, Opus supplied 1.9TWh to 96,275 corporate meters belonging to around 3,500 corporate customers, comprised of both large and small companies. For the financial year ended 31 March 2016, corporate sales generated turnover of £214 million. Corporate distribution channels are similar to the channels used for small SMEs, although greater reliance is placed on TPIs, with Opus receiving corporate customer business from over 160 TPIs.

Renewables

Approximately 20% of electricity sourced by Opus comes from small to mid-sized embedded renewable electricity generators. Such generators include wind turbines, solar, hydro and anaerobic digestion. As at 31 March 2016, 2,197 meters relating to 483MW of export capacity were registered to Opus. For the financial year ended 31 March 2016, purchases of renewable generation totalled £59 million.

Supply

All of the gas and approximately 80% of the electricity sold by Opus is sourced through wholesale supply agreements with a single counterparty. Over Opus' past three financial years, the additional costs to the Opus Group of sourcing energy under these agreements (in excess of the underlying costs of the energy supplied) are estimated to have been around £6 million per year. These additional costs varied depending on, amongst other things, the volume of energy supplied, the prevailing market price of energy purchased, the time Opus requested it from the counterparty and the accuracy of Opus' forecasts. As explained in paragraph 2 of Part I (*Letter from the Chairman of Drax Group plc*), in the year following Completion, Drax intends these arrangements to be terminated and replaced with arrangements with Drax Power. The remainder of the electricity is purchased through arrangements with small to mid-sized renewable energy generators described above and it is intended that these arrangements will be retained.

White labelling

The Opus Group provides certain "white labelling" and/or software services to Statkraft, Telecom Plus plc and Green Energy (UK) plc. White labelling services allow businesses that are not accredited or licensed to supply energy to their customers to work with the Opus Group (which is appropriately accredited and licensed) to supply those customers. The software services provided allow some limited use of separate instances of Opus' proprietary software. The arrangements with Statkraft are due to terminate in the next 12 months.

Operational metrics

	<u>Mar-14</u>	<u>Mar-15</u>	<u>Mar-16</u>
Meters (000's)	175	223	265
Year on year growth %		27%	19%
Power (TWh)	3.4	3.8	4
Gas (TWh)	0.8	1.2	1.7

4. Management team

Following the Acquisition, Opus will form part of Drax's retail operations, which are led by Jonathan Kini. On Completion, Fred Esiri (Chairman), Charles Crossley Cooke (Chief Executive) and Louise Boland (Managing Director) are expected to leave their employment with the Opus Group, although Charles and Louise are expected to continue to be available to the Opus Group on a consultancy basis for a short period if required. Opus is currently led by an experienced senior management team who, save for as set out above, are expected to remain in their respective roles. Jonathan Kini will continue to lead Drax's retail business (including Opus) and represent it at Drax's Executive Committee level.

5. Information technology

The Opus Group has a proprietary information technology system. The system currently services all Opus' business meters. The system combines internal functionality (such as sales, billing, CRM, debt collection, data transfers to industry, trading and settlement), with external functionality (such as online access to data via portals for customers and brokers). The system was designed and developed by the Opus Group in-house team who are responsible for upgrading functionality to meet internal and customer needs. The in-house team consists of around 60 personnel and are supported by two third party strategic partners who provide support in relation to the information technology infrastructure.

6. Regulation

The Opus Group holds electricity and gas supply licences under the Gas Act 1986 and the Electricity Act 1989 that allow for both domestic and non-domestic supply, as well as a gas shipper licence.

7. Employees and pensions

The Opus Group employs c.870 staff based in Northampton, Oxford and Cardiff. The Opus Group operates a defined contribution pension scheme.

8. Locations

Opus' head office is located at Lambourne House in Oxford. In addition to Lambourne House, Opus occupies a number of other premises in the Northampton area and premises in Cardiff. It is intended that, following the completion of the purchase of Opus' new premises in Northampton, John Dryden House (see paragraph 7.2(B) of Part VII (*Additional Information*)), Opus will cease to occupy its other Northampton premises and consolidate those operations in John Dryden House.

PART IV PRINCIPAL TERMS OF THE ACQUISITION

The following is a summary of the principal terms of the Acquisition Agreement and the Warranty and Indemnity Insurance Policy.

1. Acquisition Agreement

1.1 Parties and structure

The Acquisition Agreement was entered into on 6 December 2016 between Drax Developments, DGHL, the Company and the Sellers. Pursuant to the Acquisition Agreement, the Sellers have conditionally agreed to sell, and Drax Developments has conditionally agreed to acquire, all of the Sellers' holdings of shares in Opus, which currently comprise 100% of the issued share capital of Opus. DGHL, a wholly owned subsidiary of Drax which is an intermediate holding company for the whole Drax Group, has agreed to guarantee the obligations of Drax Developments under the Acquisition Agreement and the Company has also given certain customary undertakings in relation to the shareholder approval process.

1.2 Consideration

The purchase price, payable in cash, for the Acquisition is £340 million.

In addition, a "locked box" mechanism has been agreed from 31 March 2016 to the date of Completion, which is designed to give the effect of "economic ownership" of the Target Group (including profits earned) passing to Drax Developments as at 31 March 2016, the date of the last audited accounts, by preventing cash and cash equivalents being paid out of the Opus Group to the Sellers or persons connected to them (other than as agreed in the Acquisition Agreement) and by compensating the Sellers for earnings retained by the Opus Group since 31 March 2016.

The purchase price is therefore subject to adjustments for:

- (A) the deduction of reported "leakage" – comprising any payments made to or for the benefit of any of the Sellers or persons connected to them following 31 March 2016 (other than certain pre-agreed items including the £25 million dividend paid by Opus in April 2016) and an additional sum equal to 8% per annum thereon from the date of the leakage to Completion. Drax Developments may also, until 30 June 2018, claim against the Sellers for any pre-Completion leakage (and the corresponding amount equivalent to 8% per annum thereon) that is identified following Completion; and
- (B) in compensation for the restrictions on cash and cash equivalents being paid out of the Opus Group, the payment of an additional amount by Drax Developments calculated on the basis of a "locked box" rate of 8% per annum on the purchase price (pro-rated for the period between 31 March 2016 and Completion). Assuming Completion takes place on 10 February 2017 as currently expected, the additional amount payable would be £23.5 million.

1.3 Conditions to Completion

The Acquisition is conditional on:

- (A) the passing of the Resolution approving the Acquisition by Shareholders; and
- (B) the CMA not having made an order under section 72 of the Enterprise Act 2002 or a reference under section 33 of the Enterprise Act 2002 such that the Acquisition is prohibited from completing while the CMA completes an investigation.

The UK merger control regime applies to the Acquisition because Opus' turnover is over £70 million and Drax already owns an energy supply business. However, Drax has received advice that the Acquisition should not give rise to substantive competition issues and has therefore not made a formal filing with the CMA requesting investigation and approval of the Acquisition by the CMA. As a result, the only UK merger control condition included in the Acquisition Agreement is that the CMA has not commenced its own investigation and prohibited the Acquisition from completing while that investigation is carried out. Drax has not received any indication from the CMA that it intends to carry out any investigation or prohibit the Acquisition from completing.

In addition, the Acquisition was conditional upon fulfilment of the “state aid” condition in the CfD Investment Contract awarded to Drax by the UK government. This condition was fulfilled by the approval of the CfD Investment Contract by the European Commission on 19 December 2016.

Drax Developments and the Sellers have entered into certain undertakings with each other in respect of the process for fulfilling these conditions and co-operation, assistance and information sharing in respect of them.

In the event that the conditions are not or cannot be satisfied by the Long Stop Date (or such later date as the parties may agree), the Acquisition Agreement will automatically terminate.

If the Resolution is approved at the General Meeting, the Company will be contractually obliged to proceed to Completion unless the Acquisition Agreement is otherwise terminated or rescinded in accordance with its terms or the UK merger control condition is invoked. Completion is currently expected to occur on 10 February 2017.

1.4 Termination on a Material Adverse Event

Drax Developments has the right to rescind the Acquisition Agreement upon the occurrence of a Material Adverse Event before Completion.

1.5 Sellers’ warranties and tax covenant

The Sellers have each provided Drax Developments with certain customary warranties as to their title to, and capacity to sell, that Seller’s holding of shares of Opus. In addition, the Management Sellers have each provided Drax Developments with customary business and tax warranties in respect of the Opus Group and provided a covenant in relation to the tax affairs of the Opus Group pre-Completion, in each case subject to financial and other limitations customary for a transaction of this nature.

In particular:

- (A) no loss will give rise to any individual claim under the warranties unless it exceeds £100,000 and under the tax covenant unless it exceeds £50,000;
- (B) no losses will give rise to claims under the warranties unless they together exceed £3,100,000, in which case the Management Sellers shall be liable for the whole of such claims and not only the excess;
- (C) each Management Seller is liable for claims under the warranties and tax covenant only up to a specified amount, which in total for all Management Sellers equals £3,400,000; and
- (D) no claim may be made later than 18 months after Completion in respect of business warranties and 7 years after Completion in respect of tax warranties and the tax covenant.

However, additional protection in respect of the warranties and the tax covenant is provided by the Warranty and Indemnity Insurance Policy (see paragraph 2 below).

1.6 Sellers’ liability

Each Seller is severally liable only for a breach of the Acquisition Agreement (i.e. is not liable for a breach by another Seller) and such Seller’s liability is generally capped at the amount of the consideration they receive under the Acquisition (subject to the separate caps for breaches of warranties and the tax covenant set out above).

1.7 Restrictive covenants

Each of the Management Sellers has covenanted with Drax Developments that for a period of two years following Completion he/she will not:

- (A) solicit or attempt to solicit:
 - (i) certain employees of the Opus Group; and
 - (ii) any customer or third party intermediary of the Opus Group; nor

(B) be engaged or interested in any business which is the same as or in direct competition with the business carried on in the United Kingdom by the Opus Group at signing of the Acquisition Agreement.

In addition, each of Telecom Plus plc and Engie Retail Investment UK Limited has covenanted with Opus and Drax Developments that for a period of two years following Completion that it will not solicit or attempt to solicit a specific list of senior employees of the Opus Group.

1.8 Pre-Completion undertakings

The Acquisition Agreement places certain pre-completion undertakings on the Sellers, including that, during the period prior to Completion, the Opus Directors will procure (and the other Sellers will procure so far as they are reasonably able) that the Opus Group carries on its business in the ordinary course and will not take certain specific actions without the prior written consent of Drax Developments. In addition, arrangements have been made for, where allowed under applicable law, integration planning to take place.

1.9 Outstanding share options

Mechanics have been agreed in the Acquisition Agreement such that any outstanding options over shares of Opus will be exercised before Completion or otherwise lapse and the resulting shareholdings will be purchased under a separate sale and purchase agreement at Completion. Equivalent compensation will also be paid to option holders who are entitled to exercise their options but do not do so in the necessary time frame. Any payments under these arrangements will be deducted from the purchase price payable to the Sellers such that the total consideration payable by Drax Developments is not affected.

2. Warranty and Indemnity Insurance Policy

Given the limitations on liability in the Acquisition Agreement described at paragraph 1.5 above, Drax Developments entered into the Warranty and Indemnity Insurance Policy with Ambridge Europe Limited on 8 December 2016 in order to provide additional protection for breaches of the warranties and the tax covenant given by the Management Sellers.

The Warranty and Indemnity Insurance Policy provides additional cover for breach of the warranties and tax covenant up to a limit of £50 million, subject to some further limitations and exclusions in addition to those in the Acquisition Agreement. Cover is provided for breaches of business warranties for 18 months from Completion and for tax warranties and the tax covenant for seven years from Completion. The deductible under the policy is £1.66 million of covered loss before Drax Developments can begin to recover and the de minimis amount on claims is £332,000.

PART V
HISTORICAL FINANCIAL INFORMATION RELATING TO THE OPUS GROUP

Part A: Historical Financial Information relating to the Opus Group

The financial information contained in this Part V (*Historical Financial Information relating to the Opus Group*) does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 or, as the case may be, section 434(3) of the Companies Act 2006. The consolidated statutory accounts of the Opus Group in respect of the years ended 31 March 2016, 2015 and 2014 have been delivered to the Registrar of Companies.

Shareholders should read the whole of this document and not rely solely on the financial information contained in this Part V (*Historical Financial Information relating to the Opus Group*).

CONSOLIDATED INCOME STATEMENT

	Notes	Years ended 31 March		
		2016 £m	2015 £m	2014 £m
Revenue	2	572.7	524.3	433.8
Cost of power purchases		(253.4)	(247.2)	(215.1)
Grid charges		(126.7)	(118.8)	(95.0)
Other retail costs		(85.5)	(60.9)	(45.1)
Total cost of sales		(465.6)	(426.9)	(355.2)
Gross Profit		107.1	97.4	78.6
Operating and administrative expenses	4	(73.4)	(59.9)	(48.9)
EBITDA		33.7	37.5	29.7
Depreciation	11	(0.9)	(0.8)	(0.6)
Operating Profit		32.8	36.7	29.1
Interest payable and similar charges	5	(0.5)	(0.3)	(0.2)
Interest receivable	5	0.1	0.1	0.1
Profit before tax		32.4	36.5	29.0
Total tax charge	6	(6.8)	(7.6)	(7.0)
Profit for the year attributable to equity holders		25.6	28.9	22.0
Total comprehensive income	7	25.6	28.9	22.0
Earnings per share				
- Basic and diluted (£)	7	13	15	12

All results relate to continuing operations.

(1) EBITDA is defined as profit before interest, tax, depreciation and amortisation and unrealised gains and losses on derivative contracts.

There are no other items of comprehensive income and so a separate statement of other comprehensive income has not been presented in any year.

CONSOLIDATED BALANCE SHEET

	Notes	Years ended 31 March		
		2016 £m	2015 £m	2014 £m
Assets				
Non-current assets				
Property, plant and equipment	11	2.6	2.5	2.2
Current assets				
Trade and other receivables	12	137.9	116.5	81.4
Cash and cash equivalents	14	22.3	25.0	21.1
Assets classified as held for sale	10	2.2	—	—
Total current assets		162.4	141.5	102.5
Liabilities				
Current liabilities				
Trade and other payables	13	120.0	98.0	68.4
Current tax liabilities		3.5	3.9	3.4
Total current liabilities		123.5	101.9	71.8
Net current assets		38.9	39.6	30.7
Net assets		41.5	42.1	32.9
Shareholders' equity				
Issued equity	16	0.0	0.0	0.0
Share Premium	16	5.7	4.4	3.3
Retained profits	9	35.8	37.7	29.6
Total shareholders' equity		41.5	42.1	32.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Issued equity £m	Share premium £m	Retained profits £m	Total £m
At 1 April 2013		—	3.3	23.0	26.3
Total comprehensive income for the year		—	—	22.0	22.0
Equity dividends paid	9	—	—	(15.3)	(15.3)
Issue of share capital	16	—	—	—	—
Movement in equity associated with share-based payments	18	—	—	(0.1)	(0.1)
At 1 April 2014		—	3.3	29.6	32.9
Total comprehensive income for the year		—	—	28.9	28.9
Equity dividends paid	8	—	—	(20.7)	(20.7)
Issue of share capital	16	—	1.1	—	1.1
Movement in equity associated with share-based payments	18	—	—	(0.1)	(0.1)
At 1 April 2015		—	4.4	37.7	42.1
Total comprehensive income for the year		—	—	25.6	25.6
Equity dividends paid	9	—	—	(27.4)	(27.4)
Issue of share capital	16	—	1.3	—	1.3
Movement in equity associated with share-based payments	18	—	—	(0.1)	(0.1)
At 31 March 2016		0.0	5.7	35.8	41.5

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Years ended 31 March		
		2016 £m	2015 £m	2014 £m
Cash generated from operations	15	34.3	32.0	28.3
Income taxes paid		(7.2)	(7.1)	(6.5)
Interest paid		(0.5)	(0.3)	(0.2)
Interest received		0.1	0.1	0.1
Net cash from operating activities		26.7	24.7	21.7
Cash flows from investing activities				
Purchases of property, plant and equipment		(3.2)	(1.1)	(0.6)
Net cash used in investing activities		(3.2)	(1.1)	(0.6)
Cash flows from financing activities				
Equity dividends paid	8	(27.4)	(20.7)	(15.3)
Proceeds from issue of share capital		1.2	1.0	0.0
Net cash (absorbed by)/generated from financing activities		(26.2)	(19.7)	(15.3)
Net (decrease)/increase in cash and cash equivalents		(2.7)	3.9	5.8
Cash and cash equivalents at 1 April		25.0	21.1	15.3
Cash and cash equivalents at 31 March	14	22.3	25.0	21.1

1. Introduction

The historical financial information relating to Opus Energy Group Limited (the Company) together with the entities controlled by the Company (collectively, the Group) for the three years ended 31 March 2016 has been prepared in accordance with the basis of preparation as set out below.

1.1 Basis of preparation

The consolidated historical financial information has been prepared in accordance with the requirements of the Listing Rules, on a basis consistent with the accounting policies adopted in Drax Group plc's latest annual financial statements, being for the year ended 31 December 2015.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 April 2013 for the purposes of the transition to International Financial Reporting Standards (IFRS) as adopted by the European Union (Adopted IFRS).

1.2 Transition to Adopted IFRS

The Company has prepared its financial statements in accordance with Adopted IFRS for the first time.

The historical financial information has been prepared on the historical cost basis.

1.3 Going concern

The directors have reviewed the financial position of the Group and cash flow forecasts for at least 12 months from the date of approval of these accounts and are satisfied that the going concern assumption remains appropriate.

1.4 Basis of consolidation

The historical financial information incorporates the financial results of the Company and of all entities controlled by the Company (its subsidiaries) made up to 31 March each year. The Company owns 100% of the equity of all subsidiaries.

The impact of all intra-Group transactions is eliminated on consolidation.

1.5 Accounting policies

Those accounting policies that are material to the historical financial information are set out in the relevant note.

In preparing its opening IFRS balance sheet at 1 April 2013, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Company's financial position, financial performance and cash flows is set out in note 27 below

A full listing of new standards, interpretations and pronouncements under IFRS not yet effective is presented in note 25. The impact of these new requirements has yet to be assessed.

Judgements, estimates and uncertainties

The preparation of the historical financial information requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revision recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes.

Critical accounting judgements, estimates and assumptions

The judgements that carry the most significant risk of an outcome that differs from the amount recognised in the historical information are as follows:

Revenue and cost of sales

Revenue derived from the supply of energy includes an estimate of the value of energy supplied to customers between the date of the last meter reading and the end of the reporting period. Estimates of the number of units consumed but not yet processed through the settlement process are based on an estimate of the expected annual consumption for that customer to the period end until final reconciliation data are received.

Similarly, purchase volumes are also subject to the same degree of estimation, with associated settlement costs dependent on the receipt of final reconciliation data from the relevant industry body.

Financial instruments

The Group has long-term commercial agreements for the supply of electricity and gas. The 'own use exemption' has been applied and so these contracts have not been measured as financial instruments. The own use exemption is available because the contracts are held for the purpose of the delivery of a non-financial item (energy) in accordance with the Group's own expected purchase and sale requirements.

Impairment of trade debtors

Trade debtors are stated net of the allowance for the impairment of bad and doubtful debts. The allowance is calculated by applying historical collection rates to balances outstanding as at the year-end date, with the amount of any loss recognised in the consolidated statement of comprehensive income under administrative expenses.

Accounting for Renewables Obligation

Renewable Obligation Certificates (ROCs) are green certificates used by suppliers to demonstrate that they have met their obligation to source a certain proportion of the electricity they supply from renewable sources. Where suppliers do not present a sufficient number of ROCs to meet their obligation in a given year, they must pay an equivalent amount into a buyout fund.

The carrying amount of ROCs in the Group's balance sheet is dependent upon its purpose.

ROCs that are purchased for the purpose of being utilised in the settlement of the Group's own renewable obligation are held at cost and are classified under prepayments. ROCs held for resale are valued at the estimated selling price.

The Group's accrual for the cost of the Renewable Obligation is based upon the estimated value of a ROC.

Share-based payments

The fair value of shares and options granted is obtained using the Black-Scholes option pricing model. Assumptions include expected volatility, expected life, risk-free rate and expected dividend yield.

2 Revenue

All revenue arose from the Group's principal activity and within the United Kingdom.

Revenue represents the fair value of the consideration received or receivable from the sale of actual and estimated electricity and gas supplied during the year, net of discounts and value added taxes, and to a lesser extent, revenue from services provided to other companies associated with the supply of electricity and gas.

Revenue includes the directors' best estimate of differences between estimated sales and billed sales. All actual metered consumption data related to customers' electricity and gas consumption received by the end of the year has been reflected in revenue. Actual metered consumption data relating to the year but received after the year end is not reflected in revenue.

Revenue is recognised when the associated risks and rewards of ownership have been transferred, to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and where the turnover can be measured reliably. For electricity supply and gas supplied, revenue is recognised on consumption.

3 Segmental reporting

The Group has one reportable segment, being the supply of energy in the United Kingdom. The Board (as the chief operating decision maker) undertakes regular reviews of the results of this segment.

4 Operating expenses and EBITDA

This note sets out the material components of 'Operating and administrative expenses' in the Consolidated Income Statement, and a detailed breakdown of the fees paid to the Group's auditor, KPMG LLP, in respect of the services they have provided to the Group over the three years.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Gross profit	107.1	97.4	78.6
The following expenditure has been charged in arriving at operating profit/ EBITDA:			
Staff costs	25.7	20.7	16.7
Contract costs	15.4	11.4	8.7
Bad debt	17.3	14.6	12.0
Other operating and administrative expenses	15.0	13.2	11.5
Total operating and administrative expenses	73.4	59.9	48.9
EBITDA	33.7	37.5	29.7

	Years ended 31 March		
	2016 £000	2015 £000	2014 £000
Audit fees:			
Fees payable for the audit of the Group's consolidated financial statements	4	4	4
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	57	53	59
Total audit related fees	61	57	63
Taxation services	64	22	44
Other assurance services	6	6	6
Total non-audit fees	70	28	50
Total auditor's remuneration	131	85	113

5 Net finance costs

Finance costs mainly reflect the costs incurred in relation to managing the Group's credit facility.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Interest payable and similar charges:			
Interest payable on bank borrowings / overdraft fees	(0.2)	(0.0)	(0.0)
Amortisation of deferred finance costs	(0.3)	(0.3)	(0.2)
Other financing charges	(0.0)	(0.0)	(0.0)
Total interest payable and similar charges	(0.5)	(0.3)	(0.2)
Interest receivable:			
Interest income on bank deposits	0.1	0.1	0.1
Other financing income	0.0	0.0	0.0
Total interest receivable	0.1	0.1	0.1

6 Current and deferred taxation

The tax charge includes both current and deferred tax. Current tax is the estimated amount payable on this year's taxable profits (which are adjusted for items upon which the Group is not required to pay tax or, in some cases, for items which are not allowable for tax purposes and therefore on which the Group is required to pay additional tax). Deferred tax is an accounting adjustment which reflects where more or less tax is expected to arise in the future due to differences between the accounting and tax rules (reflected in differences between carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits). The tax charge reflects the estimated effective tax rate on profit before tax for the Group for each of the years covered in the historical information, including the movement in the deferred tax balance in each year, so far as it relates to items recognised in the income statement.

Accounting policy

Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items, income or expense that are either taxable or deductible in other years or never taxable/deductible. The Group's liability (or asset) for 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

In accounting for taxation the Group makes assumptions regarding the treatment of items of income and expenditure for tax purposes. The Group believes that the assumptions are reasonable based on prior experience and consultation with advisers. Full provision is made for deferred taxation at the rates of tax prevailing at the period-end date unless future rates have been substantively enacted. Deferred tax assets are recognised where it is considered more likely than not that they will be recovered.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Total tax charge comprises:			
Current tax	6.8	7.6	6.9
Deferred tax			
- Before impact of corporation tax rate change	—	—	0.1
- Impact of corporation tax rate change	—	—	—
Total tax charge	6.8	7.6	7.0
	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Profit before tax	32.4	36.5	29.0
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2015: 21%) (2014: 23%)	6.5	7.7	6.7
Effects of:			
Adjustments in respect of prior periods			
Expenses not deductible for tax purposes	0.5	0.1	0.4
Impact of change to corporation tax rate	—	—	—
Other	(0.2)	(0.2)	(0.1)
Total tax charge	6.8	7.6	7.0

7 Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits) that are attributable to each ordinary share in issue. Basic EPS is calculated by dividing the Group's earnings by the weighted average number of ordinary shares that were in issue during the year.

There is no material difference between the weighted average number of ordinary shares used for the purpose of both basic and diluted earnings per share.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Earnings:			
Earnings attributable to equity holders of the Group for the purposes of basic earnings	25.6	28.9	22.0
	Years ended 31 March		
	2016 (million)	2015 (million)	2014 (million)
Number of shares:			
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1.9	1.9	1.8
	Years ended 31 March		
	2016 £	2015 £	2014 £
Earnings per share - basic	13	15	12
Earnings per share - diluted	13	15	12

8 Dividends

Dividends are amounts returned to shareholders and are paid as an amount per ordinary share held.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year (based on number of shares in issue at record date):			
Final dividend for the year ended 31 March 2013 of £8.40 per share paid on 24 June 2013	—	—	15.3
Final dividend for the year ended 31 March 2014 of £11 per share paid on 26 June 2014	—	20.7	—
Final dividend for the year ended 31 March 2015 of £14.50 per share paid on 24 June 2015	27.4	—	—

On 4 April 2016, the Company paid a dividend of £13 per share totalling £25.4m.

9 Retained profits

Retained profits are a component of equity reserves. The overall balance reflects the total profits generated over the lifetime of the Group, reduced by the amount of that profit distributed back to shareholders. The table below reconciles the movements in retained profits during the year.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
At 1 April	37.7	29.6	23.0
Profit for the year	25.6	28.9	22.0
Equity dividends paid	(27.4)	(20.7)	(15.3)
Net movements in equity associated with share-based payments	(0.1)	(0.1)	(0.1)
At 31 March	35.8	37.7	29.6

Distributable profits

The capacity of the Company to make dividend payments is primarily determined by the availability of retained distributable profits and cash resources.

The immediate cash resources of the Group are set out in note 14 and the recent history of cash generation in note 15.

The majority of these cash resources are held by the principal operating subsidiaries of the Group, in particular Opus Energy Limited.

10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, they are available for immediate sale and the sale is highly probable within one year.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Freehold land held for sale	2.2	—	—

The Group has committed to the disposal of a parcel of freehold land it no longer utilises in the 12 months from 31 March 2016. The asset is available for immediate sale and a search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale as at 31 March 2016 as the directors of the Group expect that the fair value (estimated based on current prices in similar locations) less costs to sell is higher than the carrying amount.

11 Property, plant and equipment

Property, plant and equipment

This note shows the cost, depreciation and net book value of the physical assets controlled by the Group to generate revenue.

Accounting policy

Property, plant and equipment are initially measured at cost. Cost is comprised of the purchase price and 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. Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value.

Depreciation is provided on a straight line basis to write down assets to their residual value evenly over the estimated useful lives of the assets from the date of acquisition. The table below shows the range of useful lives and the average useful life of an asset in the main categories of asset in years:

<i>Plant and machinery</i>	UEL (range) 3-4
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Freehold land, held at cost, is considered to have an unlimited useful life and is not depreciated.

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

	Freehold Land £m	Plant & Equipment £m	Total £m
Cost:			
At 1 April 2013	0.8	3.3	4.1
Additions at cost	—	0.6	0.6
Disposals	—	—	—
At 1 April 2014	0.8	3.9	4.7
Additions at cost	—	1.1	1.1
Disposals	—	—	—
At 1 April 2015	0.8	5.0	5.8
Additions at cost	2.2	1.0	3.2
Disposals	—	—	—
Reclassified as held for sale (note 10)	(2.2)	—	(2.2)
At 31 March 2016	0.8	6.0	6.8
Accumulated depreciation:			
At 1 April 2013	—	1.9	1.9
Charge for the year	—	0.6	0.6
Disposals	—	—	—
At 1 April 2014	—	2.5	2.5
Charge for the year	—	0.8	0.8
Disposals	—	—	—
At 1 April 2015	—	3.3	3.3
Charge for the year	—	0.9	0.9
Disposals	—	—	—
At 31 March 2016	—	4.2	4.2
Net book amount at 31 March 2014	0.8	1.4	2.2
Net book amount at 31 March 2015	0.8	1.7	2.5
Net book amount at 31 March 2016	0.8	1.8	2.6

12 Trade and other receivables

Trade receivables represent amounts owed by customers for goods or services provided but not yet been paid for. Other receivables include accrued income, which is income earned in the period but not yet invoiced, largely in respect of power delivered that will be invoiced the following month, and prepayments, which are amounts paid by the Group for which it is yet to either receive or utilise the relevant goods or services in return.

Prepayments primarily consist of contract costs and ROCs.

Contract costs are commissions payable to third parties in respect of obtaining customer contracts. Contract costs are amortised over the life of the contract.

ROCs are purchased for the purpose of being utilised in the settlement of the Group's own Renewable Obligation and are held at cost (as described in note 13). As the ROCs are not being held for future resale, they are not classified as inventory. As at 31 March 2016, the Group held £12.5m (2015: £11.9m) (2014: £5.3m) of prepaid ROCs.

Accounting policy

Trade and other receivables that have no stated interest rate and are due to be settled within one year are measured at the undiscounted amount of consideration expected to be received, net of impairment.

Trade and other receivables that have a stated interest rate are initially measured at the transaction price. Subsequently, such instruments are measured at amortised cost using the effective interest method.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Amounts falling due within one year:			
Trade receivables	52.3	47.7	32.8
Accrued income	45.2	38.6	31.7
Prepayments and other receivables	40.4	30.2	16.9
	137.9	116.5	81.4

Trade receivables principally represent amounts outstanding from sales generated through the Group's principal activity, to both Small and Medium-sized Enterprises and corporate customers.

Of total trade receivables at 31 March 2016, £35 million (2015: £33 million) (2014: £24 million) relates to SME sales. The risk profile associated with debt due from corporate and SME customers is different, limiting the likelihood of concentrations of credit risk. All past-due receivables are assessed against the Group's credit risk policies for indicators of impairment

Trade receivables include amounts that are past due at the end of the reporting period for which the Group has not recognised a provision for doubtful debts as follows:

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
30 Days	5.5	6.1	4.3
60 Days	2.9	2.6	2.2
90 Days	1.6	1.3	1.0
120 Days	1.2	0.9	0.8
120+ Days	3.7	2.7	1.8
	14.9	13.6	10.1

All past-due receivables are assessed against the Group's credit risk policies for indicators of impairment and provisions made where appropriate. Credit risk is discussed in further detail in note 20. Management does not consider there to be any requirement for further provisions in excess of the normal provision for doubtful debts. The provision has been determined with reference to past default experiences and has moved over the course of the historical period as follows:

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Movements in provision for doubtful debts			
At 1 April	3.2	2.3	1.6
Provision for receivables impairment	17.3	14.6	12.0
Receivables written off	(17.5)	(13.7)	(11.3)
At 31 March	3.0	3.2	2.3

13 Trade and other payables

Trade and other payables represent amounts owed to suppliers (for goods and services provided), tax authorities and other creditors that are due to be paid in the ordinary course of business.

Accruals are made for amounts that will fall due for payment in the future as a result of current activities. Accruals primarily consist of the Group's Renewable Obligation, an industry support mechanism designed to support large-scale renewable electricity generation by placing an obligation on all licensed electricity suppliers to source a certain proportion of the electricity they supply from renewable energy sources. As at 31 March 2016, the Group's accrual for Renewable Obligation stood at £50.0m (2015: £37.3m) (2014: £24.6m).

Accounting policy

Trade and other payables that have no stated interest rate and are due to be settled within one year are initially and subsequently measured at the undiscounted amount of consideration expected to be paid.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Amounts falling due within one year:			
Trade payables	18.5	20.3	13.6
Other accruals and deferred income	76.1	59.8	48.5
Other payables	25.4	17.9	6.3
	120.0	98.0	68.4

The Group has a £35m revolving credit facility which expires in June 2019. At 31 March 2016, the Group had not drawn on the facility (2015: nil) (2014: nil). Interest on borrowings under this facility is payable at a fixed margin over LIBOR.

The facility is secured by a fixed and floating charge over all assets of Opus Energy Group Limited granted in favour of Barclays Bank plc as agent. The Group has a £10m overdraft facility with similar terms and security.

A secondary fixed and floating charge over all assets of Opus Energy Group Limited has been granted in favour of IPM Energy Trading Limited.

14 Cash and cash equivalents

Cash and cash equivalents comprise cash held in current and other bank accounts that are accessible on demand.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Cash and cash equivalents	22.3	25.0	21.1

15 Cash generated from operations

Cash generated from operations is the starting point of the Group's cash flow statement. This table makes adjustment for any non-cash accounting items to reconcile our net profit for the year to the amount of cash we have generated from our operations.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Profit for the year	25.6	28.9	22.0
Adjustments for:			
Interest payable and similar charges	0.5	0.3	0.2
Interest receivable	(0.1)	(0.1)	(0.1)
Taxation	6.8	7.6	7.0
Depreciation	0.9	0.8	0.6
Losses on disposal	—	—	—
Non-cash charge for share-based payments	—	—	(0.1)
Operating cash flows before movement in working capital	33.7	37.5	29.6
Changes in working capital:			
Receivables	(21.4)	(35.1)	(13.9)
Payables	22.0	29.6	12.6
Total increase / decrease in working capital	0.6	(5.5)	(1.3)
Cash generated from operations	34.3	32.0	28.3

16 Equity and reserves

Accounting policy

Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Group after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Years ended 31 March		
	2016 (million)	2015 (million)	2014 (million)
Authorised, issued and fully paid:			
1,536,308 Ordinary A shares of £0.01 each (2015: 1,508,388) (2014: 1,455,188)	0.02	0.02	0.01
384,077 Ordinary B shares of £0.01 each (2015: 377,097) (2014: 363,797)	0.00	0.00	0.00

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

	Years ended 31 March		
	2016 (million)	2015 (million)	2014 (million)
At beginning of year	1.89	1.82	1.82
Issued under employee share schemes	0.03	0.07	—
At end of year	1.92	1.89	1.82

The Group has two classes of shares which each have a par value of £0.01, carry one vote per share and carry a right to dividends.

Shares issued under employee share schemes and anti-dilution rights

There were no share transactions in the year ended 31 March 2014.

On 22 April 2014, a director of a subsidiary undertaking exercised options over 4,000 Ordinary A shares of £0.01 in the Group at a strike price of £40 per share. The difference between the nominal value of the shares issued, being £40, and the total value of £194,240 has been credited to the share premium account.

On the same day, 800 Ordinary A shares previously held by two directors were converted to Ordinary B shares and transferred to another shareholder.

On 8 May 2014, a director exercised options over 31,250 Ordinary A shares of £0.01 in the Group at a strike price of £15 per share. The difference between the total nominal value of the shares issued, being £312.50, and the total value of £493,437 has been credited to the share premium account.

On the same day, Telecom Plus plc invoked its anti-dilution rights and purchased 12,500 Ordinary B shares for a total cost of £110,901. International Power Retail (UK) Limited also invoked its anti-dilution rights and purchased 18,750 Ordinary A shares for a total cost of £248,422.

On 14 May 2015, a director of a subsidiary undertaking exercised options over 2,000 Ordinary A shares of £0.01 in the Group at a strike price of £40 per share. The difference between the nominal value of the shares issued, being £20, and the total value of £97,120 has been credited to the share premium account.

On the same day, 400 Ordinary A shares previously held by two directors were converted to Ordinary B shares and transferred to another shareholder.

On 15 March 2016, a director, three directors of a subsidiary undertaking, and two senior employees exercised options over 30,500 Ordinary A shares of £0.01 in the Group at strike prices ranging from £15 to £55 per share. The difference between the nominal value of the shares issued, being £305, and the total value of £1,142,614 has been credited to the share premium account.

On the same day, 6,100 Ordinary A shares previously held by two directors were converted to Ordinary B shares and transferred to another shareholder.

On the same day, Telecom Plus plc invoked its anti-dilution rights and purchased 480 Ordinary B shares for a total cost of £7,200.

Engie Retail Investment UK Limited also invoked its anti-dilution rights and purchased 1,920 Ordinary A shares for a total cost of £28,800.

Share premium

The share premium account reflects amounts received in respect of issued share capital that exceed the nominal value of the shares issued.

	Years ended 31 March		
	2016	2015	2014
	£m	£m	£m
At beginning of year	4.4	3.3	3.3
Issue of share capital	1.3	1.1	—
At end of year	5.7	4.4	3.3

Movements in share premium reflect amounts received from the issue of shares under the Group's employee share scheme.

17 Employees and directors

This note provides a more detailed breakdown of the cost of the Group's employees. The average number of employees in Sales and Administration is also provided.

	Years ended 31 March		
	2016	2015	2014
	£m	£m	£m
Wages & salaries	23.0	18.4	14.9
Social security costs	2.2	1.8	1.5
Other pension costs	0.5	0.5	0.2
Share-based payments	0.0	0.0	0.1
	25.7	20.7	16.7

Average monthly number of people employed (including directors)

	Years ended 31 March		
	2016 (number)	2015 (number)	2014 (number)
Sales	50	41	36
Administrative	643	530	446
	693	571	482

18 Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Share options have been granted under two unapproved schemes, one set up in 2006 and the other in March 2012. The rules of both schemes are substantially the same. Under the 2006 scheme, all options vest on a time basis with no performance conditions attached. The general rule of the 2006 scheme is that options vest over the three years after the date of grant and expire 10 years after the date of grant. For the 2012 scheme the options vest immediately. The exercise price is payable in cash. Vested options may only be exercised upon a sale of the Company, a public listing of the Company's shares or approval by the board of directors of the Company (except for the options held by F Esiri which are exercisable at any time). During the year 1,475 share options were granted under the 2012 scheme (2015: 10,275 share options were granted under the 2012 scheme and a further 1,000 share options were issued under the 2006 scheme) (2014: 10,850 share options were granted under the 2012 scheme).

The estimated fair value of each share option granted has been calculated using the Black-Scholes option pricing model at the date of grant. The model is internationally recognised as being appropriate to value employee share schemes similar to both the 2006 and 2012 schemes. The period between the grant date and assumed exercise date (i.e. the period over which the fair value is charged to the profit and loss account) is three years.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (£) 2016	Number 2016	Weighted average exercise price (£) 2015	Number 2015	Weighted average exercise price (£) 2014	Number 2014
Outstanding at the beginning of the year	43.46	110,350	33.17	135,575	29.86	126,425
Granted during the year	90.00	1,475	90.00	11,275	75.00	10,850
Forfeited during the year	66.30	(1,950)	69.40	(1,250)	54.41	(1,700)
Exercised during the year	35.15	(32,500)	17.84	(35,250)	—	—
Outstanding at the end of the year	47.02	77,375	43.46	110,350	33.17	135,575

At the end of 2016, 15,625 options were exercisable at a weighted average exercise price of £15 (2015: 15,625 at a weighted average exercise price of £15) (2014: 46,875 at a weighted average exercise price of £15).

The options outstanding at 31 March 2016, of which 36,375 were issued under the 2006 scheme, and 41,000 were issued under the 2012 scheme, have exercise prices in the range of £15 to £90 (2015: £15 to £90) (2014: £15 to £75) and had a weighted average contractual life remaining of 4.8 years (2015: 5.6 years) (2014: 5.2 years).

19 Pension commitments

The Group operates a defined contribution pension scheme. The pension charge for the year represented contributions payable by the Group and amounted to £0.5m (2015: £0.5m) (2014: £0.2m).

Contributions which amounted to £110k at 31 March 2016 (2015: £91k) (2014: £37k) were payable to the scheme and included in creditors.

20 Risk management disclosures

The material financial risks to which the Group is exposed are considered to be commodity price risk and credit risk.

Commodity price risk

The Group is exposed to the effects of volatility in its costs of supply.

The Group devotes considerable management resources and develops systems and models designed to hedge price risk and match as closely as possible the quantities of electricity and gas which it buys at a fixed price with its commitments to supply to customers at a fixed price. However, in volatile wholesale electricity and gas commodity markets, it is not always possible to match these prices and volumes; variables include the weather and end-customer demand. In addition to the rigorous modelling of the demand of its portfolio of customers, which is continually updated, the Group seeks to protect itself through its contractual terms with its customers and through maintenance of a pricing policy which ensures sufficient margin for such inevitable forecasting errors.

Of the Group's financial instruments, only contracts under the long-term commercial agreements for the supply of electricity and gas are exposed to commodity price risk. The Group applies the Own Use exemption to its energy contracts, meaning that contracts for the future supply of energy in the normal course of business are recognised in the Group's financial statements as and when supply is made. As such, the Group is not exposed to commodity price risk as defined by IFRS 7.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Financial assets:			
Cash and cash equivalents	22.3	25.0	21.1
Trade and other receivables	140.9	119.7	83.7
	163.2	144.7	104.8

Trade and other receivables are stated gross of the provision for doubtful debts of £3.0 million (2015: £3.2 million) (2014: £2.3 million).

Bad debts associated with failure of customers to pay their energy bills represent one of the largest administrative expenses of the business. Late payment of customer bills also imposes increased working capital requirements on the Group. The Group actively monitors the credit of its customers, varies its pricing to accommodate customer credit risk profile, manages its customer portfolio to mitigate credit concentration and devotes significant resources to managing its receivables book, including the development and continuous improvement of IT systems to minimise billing inaccuracies which can lead to late payments.

21 Other financial instruments

The Group holds a variety of non-derivative financial instruments, including cash and cash equivalents and trade payables and receivables arising from its operations.

Accounting policy

Cash and cash equivalents (note 14), trade and other receivables (note 12) and trade and other payables (note 13) generally have short times to maturity. For this reason, their carrying values, on the amortised cost basis, approximate to their fair value.

22 Commitments

The Group has a number of financial commitments (i.e. a contractual requirement to make a cash payment in the future) that are not recorded in its balance sheet as the contract is not yet due for delivery. Such commitments include contracts for the future purchase of electricity and gas up to three years ahead, operating leases for buildings and motor vehicles, contracts for the future purchase of Renewable Obligation Certificates and contracts for the provision of services.

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Contracts placed for future capital expenditure not provided in the financial statements	—	0.2	—
Future commitments to purchase electricity and gas under fixed priced contracts	202.0	187.1	185.6
Future commitments to purchase Renewable Obligation Certificates	24.2	24.8	24.6

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Within one year	2.7	1.9	1.7
Within two to five years	7.8	6.1	4.1
After five years	3.7	2.8	0.1
	14.2	10.8	5.9

Non-cancellable operating lease payments represent rentals payable by the Group in relation to its office premises.

The amount recognised as an expense for each year in the historical period was as follows:

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Non-cancellable operating lease expense	2.4	1.8	1.7

23 Events after the reporting period

On 4 April 2016, the Group paid a dividend of £13 per share totalling £25.4m.

On 31 May 2016, the Group signed an agreement to purchase land and a building for £9.35m. A balance of £0.5m has been paid and the balance is expected to be paid by the end of April 2017.

24 General information

Opus Energy Group Limited is a limited liability company incorporated and domiciled in the United Kingdom. The registered office is Lambourne House, 311-321 Banbury Road Oxford, OX2 7JH.

The Company and its subsidiaries (together, the Group) has one principal activity being the supply of energy in the United Kingdom.

The following were subsidiaries of the Company at 31 March 2016:

Name	Country of Incorporation	Class of Shares	Holding	Principal activity
Opus Energy Ltd	UK	Ordinary	100%	The supply of electricity and gas
Opus Energy (Corporate) Ltd	UK	Ordinary	100%	The supply of electricity
Opus Gas Supply Ltd	UK	Ordinary	100%	The supply of gas
Opus Energy Renewables Ltd	UK	Ordinary	100%	The purchase of renewable electricity
Opus Gas Ltd	UK	Ordinary	100%	The shipping of gas
Farmoor Energy Ltd	UK	Ordinary	100%	The supply of electricity
Abbott Debt Recovery Ltd	UK	Ordinary	100%	Debt recovery services
Opus Energy Marketing Ltd	UK	Ordinary	100%	Marketing services

Select Energy Ltd, Domus Energy Ltd, Donnington Energy Ltd and Opus Water Ltd are all dormant and have never traded

25 New standards, interpretations and pronouncements which are in issue but not yet effective

At the date this historical information was prepared, the following new or amended standards and relevant interpretations, which have not been applied in the preparation of this historical information, were in issue but not yet effective:

IFRS 9 – Financial Instruments – effective for annual reporting periods beginning on or after 1 January 2018

IFRS 15 – Revenue from Contracts with Customers – effective for annual reporting periods beginning on or after 1 January 2018

IFRS 16 (amended) – Leases – effective for annual reporting periods beginning on or after 1 January 2019

Annual improvements to 2012-2014 Cycle – all amendments are effective for annual reporting periods beginning on or after 1 January 2016

IAS 16 (amended) – Property, Plant and Equipment – applicable to annual reporting periods on or after 1 January 2016

IFRS 10 (amended) – Consolidated Financial Statements – effective date deferred indefinitely

IAS 1 (amended) – Presentation of Financial Statements – effective for annual reporting periods beginning on or after 1 January 2016

IAS 12 (amended) – Income Taxes – effective for annual reporting periods beginning on or after 1 January 2017

IAS 7 (amended) – Statement of Cash Flows – effective for annual periods beginning on or after 1 January 2017

The impact of these pronouncements is yet to be assessed.

26 Related party transactions

A related party is either an individual with control or significant influence over the Group, or a company that is linked to us by investment or a related individual.

Entities with significant influence over the Group

At 31 March 2016, Engie Retail Investment UK Limited, a wholly owned subsidiary of International Power Limited, held 565,765 Ordinary A shares in the Company (2015: 563,845) (2014: 545,095). Engie Retail Investment UK Limited also held anti-dilution rights entitling it to acquire up to 9,375 Ordinary A shares upon the exercise of employee share options (2015: 11,295) (2014: 30,045).

International Power Limited is wholly owned by Engie SA (formerly known as “GDF Suez”).

At 31 March 2016, Telecom Plus plc held 384,077 Ordinary B shares in Opus Energy Group Limited (2015: 377,097) (2014: 363,797). Telecom Plus plc also has anti-dilution rights entitling it to acquire up to 6,250 Ordinary B shares upon the exercise of employee options (2015: 6,730) (2014: 19,230).

Purchases from related parties

IPM Energy Trading Limited (“IPM”) is a subsidiary of International Power Limited and has a commercial agreement to supply power and gas to Opus Energy Limited under which the Group

incurred £192.6m in cost of sales to IPM in the year (2015: £208.9m) (2014: £193.1m). All debts had been settled by the reporting date (2015: £4.5m payable to IPM was included in the Group's trade creditors at the year-end) (2014: £0.0m).

Sales to related parties

Telecom Plus plc is a customer of the Group and commercial agreements exist between them and companies within the Group under which the Group recognised £0.9m revenue from Telecom Plus plc in the year ended 31 March 2016 (year ended 31 March 2015: £1.0m) (2014: £0.9m). £0.2m receivable from Telecom Plus plc was included in the Group's trade debtors at 31 March 2016 (2015: £0.1m) (2014: £0.1m).

Commitments with related parties

At 31 March 2016, the Group had commitments to purchase £202.0m of power and gas from IPM over the period to March 2018 (2015: £187.1m) (2014: £184.1m).

Transactions with key management personnel

Compensation

The remuneration of the board of directors, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related party disclosures".

	Years ended 31 March		
	2016 £m	2015 £m	2014 £m
Salaries and short-term benefits	1.0	1.0	0.9
Aggregate amounts receivable under shared-based incentive schemes	—	—	—
Company contributions to defined contribution pension schemes	—	—	—

Amounts included in the table above reflect the remuneration of three (2015: three) (2014: three) members of the board of directors.

During the year, retirement benefits were accruing to two directors (2015: two) (2014: two) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £592k (2015: £571k) (2014: £527k). The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amount to nil (2015: £40k) (2014: £50k).

Directors' loans

In October 2009, the Group made loans with a term of 32 years available to senior management employees which the employees used to purchase shares of the Group pursuant to the exercise of share options. The employees are required to apply a proportion of any dividend receipts or share sale proceeds to the early repayment of the loans. The loans incurred interest at 3.0% during the year ended 31 March 2016 (2015: 3.5%) (2014: 4.0%).

In March 2016, the Group made additional loans with a term of 32 years available to senior management employees which the employees used to purchase shares of the Group pursuant to the exercise of share options. The employees are required to apply a proportion of any dividend receipts or share sale proceeds to the early repayment of the loans. The loans incurred interest at rates ranging between 1.5% and 3.0% during the year ended 31 March 2016. The Group provided a loan pursuant to the loan agreements to a director as follows:

	Years ended 31 March		
	2016 £000	2015 £000	2014 £000
At 1 April	—	25	72
Principal	550	—	—
Net repayments	—	(26)	(48)
Interest	1	1	1
At 31 March	551	—	25

Controlling party

C Crossley Cooke and F Esiri control the Group by virtue of the fact that they have voting control over a majority of the issued ordinary share capital.

27 Transition to IFRS

The Group has adopted IFRS for the first time in the preparation of this historical financial information. In preparing the historical financial information, an opening balance sheet has been prepared as at 1 April 2013, the Group's date of transition to IFRS. Subsequent reconciliations between the financial statements previously reported based on UK GAAP and those prepared based on IFRS have been prepared to show how the transition affected the Group's reported financial performance and financial position. The transition to IFRS had no effect on the Group's previously reported cash flow.

Reconciliation of equity

	1 April 2013	1 April 2013	1 April 2013	As previously stated	Effect of transition	31-Mar 2014	As previously stated	Effect of transition	31-Mar 2015	As previously stated	Effect of transition	31-Mar 2016	As previously stated	Effect of transition	31-Mar 2016	
	£m	Transition adjustment	IFRS	31-Mar 2014	Transition adjustment	31-Mar 2014	31-Mar 2014	Transition adjustment	31-Mar 2015	31-Mar 2015	Transition adjustment	31-Mar 2016	31-Mar 2016	Transition adjustment	31-Mar 2016	
	UK GAAP		IFRS	UK GAAP		IFRS	UK GAAP		IFRS	UK GAAP		IFRS	UK GAAP		IFRS	
Assets																
Non-current assets																
Property, plant and equipment	2.2	—	2.2	2.2	—	2.2	2.5	—	2.5	4.8	(2.2)	2.6	4.8	(2.2)	2.6	
Current assets																
Trade and other receivables	67.5	—	67.5	81.4	—	81.4	116.5	—	116.5	137.9	—	137.9	137.9	—	137.9	
Cash and cash equivalents	15.3	—	15.3	21.1	—	21.1	25.0	—	25.0	22.3	—	22.3	22.3	—	22.3	
Assets classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	2.2	—	2.2	2.2	
Total current assets	82.8	—	82.8	102.5	—	102.5	141.5	—	141.5	160.2	—	162.4	160.2	—	162.4	
Liabilities																
Current liabilities																
Trade and other payables	50.2	5.6	55.8	61.4	7.0	68.4	89.5	8.5	98.0	108.7	11.3	120.0	108.7	11.3	120.0	
Current tax liabilities	3.0	—	3.0	3.4	—	3.4	3.9	—	3.9	3.5	—	3.5	3.5	—	3.5	
Total current liabilities	53.2	—	58.8	64.8	—	71.8	93.4	—	101.9	112.2	—	123.5	112.2	—	123.5	
Net current assets	29.6	—	24.0	37.7	—	30.7	48.1	—	39.6	48.0	—	38.9	48.0	—	38.9	
Non-current liabilities																
Deferred tax liabilities	0.1	—	0.1	—	—	—	—	—	—	—	—	—	—	—	—	
Net assets	1, 2	31.9	26.3	39.9	—	32.9	50.6	—	42.1	52.8	—	41.5	52.8	—	41.5	
Shareholders' equity																
Issued equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share premium	3.3	—	3.3	3.3	—	3.3	4.4	—	4.4	5.7	—	5.7	5.7	—	5.7	
Retained profits	28.6	(5.6)	23.0	36.6	(7.0)	29.6	46.2	(8.5)	37.7	47.1	(11.3)	35.8	47.1	(11.3)	35.8	
Total shareholders' equity	1, 2	31.9	26.3	39.9	—	32.9	50.6	—	42.1	52.8	—	41.5	52.8	—	41.5	

Reconciliation of total comprehensive income

	Notes	As previously stated 31-Mar 2014 £m	Effect of transition 31-Mar 2014 £m	Transition adjustment	31-Mar 2014 £m	As previously stated 31-Mar 2015 £m	Effect of transition 31-Mar 2015 £m	Transition adjustment	31-Mar 2015 £m	As previously stated 31-Mar 2016 £m	Effect of transition 31-Mar 2016 £m	Transition adjustment	31-Mar 2016 £m
		UK GAAP	IFRS	UK GAAP	IFRS	UK GAAP	IFRS	UK GAAP	IFRS	UK GAAP	IFRS	UK GAAP	IFRS
Revenue		433.8	433.8	—	433.8	524.3	—	—	524.3	572.7	—	—	572.7
Cost of power purchases		(215.1)	(215.1)	—	(215.1)	(247.2)	—	—	(247.2)	(253.4)	—	—	(253.4)
Grid Charges		(95.0)	(95.0)	—	(95.0)	(118.8)	—	—	(118.8)	(126.7)	—	—	(126.7)
Other retail costs		(45.1)	(45.1)	—	(45.1)	(60.9)	—	—	(60.9)	(85.5)	—	—	(85.5)
Total cost of sales		(355.2)	(355.2)	—	(355.2)	(426.9)	—	—	(426.9)	(465.6)	—	—	(465.6)
Gross profit		78.6	78.6	—	78.6	97.4	—	—	97.4	107.1	—	—	107.1
Operating and administrative expenses	1	(47.5)	(48.9)	(1.4)	(48.9)	(58.4)	(1.5)	(1.5)	(59.9)	(70.5)	(2.9)	(2.9)	(73.4)
EBITDA		31.1	29.7	—	29.7	39.0	—	—	37.5	36.6	—	—	33.7
Depreciation		(0.6)	(0.6)	—	(0.6)	(0.8)	—	—	(0.8)	(0.9)	—	—	(0.9)
Operating profit		30.5	29.1	—	29.1	38.2	—	—	36.7	35.7	—	—	32.8
Interest payable and similar charges		(0.2)	(0.2)	—	(0.2)	(0.3)	—	—	(0.3)	(0.5)	—	—	(0.5)
Interest receivable		0.1	0.1	—	0.1	0.1	—	—	0.1	0.1	—	—	0.1
Profit before tax		30.4	29.0	—	29.0	38.0	—	—	36.5	35.3	—	—	32.4
Total tax charge		(7.0)	(7.0)	—	(7.0)	(7.6)	—	—	(7.6)	(6.8)	—	—	(6.8)
Profit for the year attributable to equity holders		23.4	22.0	—	22.0	30.4	—	—	28.9	28.5	—	—	25.6
Total comprehensive income		23.4	22.0	—	22.0	30.4	—	—	28.9	28.5	—	—	25.6

Transition adjustments:

1 Credit balances

On transition to IFRS, the Group changed its policy regarding credit balances. Previously, credit balances were recognised in the income statement based on historical collection rates and deducted from the Group's liability for credit balances. As of 1 April 2013, credit balances will only be recognised once they have reached their statutory time limit of six years. This has resulted in the Group making an adjustment on transition of £5.4 million in relation to credit balances previously recognised prior to their statutory time limit. In subsequent years, the Group recognised an adjustment in relation to credit balances of £1.4m in the year to 31 March 2014, £1.5m in the year to 31 March 2015 and £2.9m in the year to 31 March 2016.

2 Annual leave accrual

IFRS requires short-term employee benefits to be charged to the income statement as the employee service is received. This has resulted in the Group recognising a liability on transition to IFRS in relation to employees who have earned but not taken the entitlement to annual leave as at 1 April 2013. The accrual has been measured at £0.2 million. Previously, annual leave accruals were not recognised and were charged to the income statement as they were paid.

3 Assets held for sale

IFRS requires assets to be classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, it is available for immediate sale and the sale is highly probable within one year. There was no equivalent requirement under UK GAAP. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Further information is disclosed in note 10.

Part B: Accountant's Report on Historical Financial Information relating to the Opus Group



KPMG LLP
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The Directors
Drax Group plc
Drax Power Station
Selby
North Yorkshire YO8 8PH

18 January 2017

Ladies and Gentlemen

Opus Energy Group Limited

We report on the consolidated financial information set out on pages 26 to 50 for the three years ended 31 March 2016. This financial information has been prepared for inclusion in the Class 1 circular relating to the acquisition of Opus Energy Group Limited dated 18 January 2017 of Drax Group plc on the basis of the accounting policies set out in note 1.5. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Drax Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1.1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the consolidated financial information gives, for the purposes of the Class 1 circular dated 18 January 2017, a true and fair view of the state of affairs of Opus Energy Group Limited as at 31 March 2014, 31 March 2015 and 31 March 2016 and of its consolidated profits, comprehensive income, cash flows and changes in equity for the years ended 31 March 2014, 31 March 2015 and 31 March 2016 in accordance with the basis of preparation set out in note 1.1 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Yours faithfully

KPMG LLP

PART VI
UNAUDITED PRO FORMA FINANCIAL INFORMATION
RELATING TO THE ENLARGED GROUP

Part A: Unaudited pro forma financial information

The unaudited pro forma income statement and unaudited pro forma net assets statement of the Enlarged Group (together the “**Unaudited Pro Forma Financial Information**”) set out in Part A in this Part VI (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) has been prepared on the basis of the notes below, and in accordance with Listing Rule 13.3.3R, to illustrate the impact of the Acquisition on the income statement of Drax Group plc for the year ended 31 December 2015, as if it had taken place on 1 January 2015, and on the net assets of Drax Group plc as at 31 December 2015, as if it had taken place at that date.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies and presentation adopted by Drax Group plc in relation to its consolidated financial statements for the year ended 31 December 2015 and includes the Opus income statement for the year ended 31 March 2016 and net assets of Opus as at 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group’s actual financial position or results. The Unaudited Pro Forma Financial Information does not purport to represent what the Enlarged Group’s financial position and results of operations actually would have been if the Acquisition had been completed on the dates indicated, nor do they purport to represent the results of operations for any future period or the financial condition at any future date.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this Circular and not rely solely on the summarised financial information contained in this Part VI (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*).

Part 1 Unaudited pro forma statement of net assets

	Drax Group plc at 31 December 2015 £m (Note 1)	<i>Adjustments</i>		Pro forma net assets at 31 December 2015 £m
		Opus at 31 March 2016 £m (Note 2)	Consideration and goodwill £m (Note 3)	
Assets				
Non-current assets				
Goodwill and other intangible assets	26.3	—	298.5	324.80
Property, plant and equipment	1,653.8	2.6	—	1,656.4
Derivative financial instruments	278.4	—	—	278.4
	<u>1,958.5</u>	<u>2.6</u>	<u>298.5</u>	<u>2,259.6</u>
Current assets				
Inventories	224.0	—	—	224.0
ROC and LEC assets	270.1	—	—	270.1
Trade and other receivables	319.3	137.9	—	457.2
Derivative financial instruments	330.8	—	—	330.8
Short-term investments	—	—	—	—
Cash and cash equivalents	133.8	22.3	—	156.1
Current tax assets	0.6	—	—	0.6
Assets classified as held for sale	—	2.2	—	2.2
	<u>1,278.6</u>	<u>162.4</u>	<u>—</u>	<u>1,441.0</u>
Total assets	<u>3,237.1</u>	<u>165.0</u>	<u>298.5</u>	<u>3,700.6</u>
Liabilities				
Current liabilities				
Trade and other payables	(488.0)	(120.0)	—	(608.0)
Current tax liabilities	0.0	(3.5)	—	(3.5)
Borrowings	(0.3)	—	—	(0.3)
Derivative financial instruments	(274.3)	—	—	(274.3)
	<u>(762.6)</u>	<u>(123.5)</u>	<u>—</u>	<u>(886.1)</u>
Net current assets	516.0	38.9	—	554.9
Non-current liabilities				
Borrowings	(320.1)	—	(349.4)	(669.5)
Derivative financial instruments	(300.1)	—	—	(300.1)
Provisions	(30.5)	—	—	(30.5)
Deferred tax liabilities	(191.9)	—	—	(191.9)
Retirement benefit obligations	(29.5)	—	—	(29.5)
	<u>(872.1)</u>	<u>—</u>	<u>(349.4)</u>	<u>(1,221.5)</u>
Total liabilities	<u>(1,634.7)</u>	<u>(123.5)</u>	<u>(349.4)</u>	<u>(2,107.6)</u>
Net assets	<u>1,602.4</u>	<u>41.5</u>	<u>(50.9)</u>	<u>1,593.0</u>

Notes

- (1) The net assets of Drax Group plc as at 31 December 2015 have been extracted without adjustment from the audited consolidated financial statements for the year ended 31 December 2015.
- (2) The net assets of Opus as at 31 March 2016 have been extracted without adjustment from the historical financial information included in Part V (*Historical Financial Information relating to the Opus Group*). Refer to note 27 'Transition to IFRS' in the historical financial information included in Part V (*Historical Financial Information relating to the Opus Group*) for the adjustments to align to IFRS and Drax Group plc's accounting policies and conventions. After these adjustments there are no differences in the accounting policies applied by Drax Group plc and those applied by Opus under IFRS as presented in Part V (*Historical Financial Information relating to the Opus Group*).
- (3) The unaudited pro forma statement of net assets has been prepared on the basis that the Acquisition will be treated as a business combination in accordance with IFRS 3. However, it does not reflect any fair value adjustments to the acquired assets and liabilities as the fair value measurement of these items will only be performed as at the date of Completion. For the purposes of the pro forma statement of net assets, the excess purchase consideration over the carrying amount of the net assets of Opus has been attributed to goodwill and other intangibles. The fair value adjustments, when finalised following Completion of the Acquisition, may be material. The preliminary goodwill arising has been calculated as follows:

	£m
Total consideration paid via debt raised	340.0
Net assets of Opus	<u>(41.5)</u>
Purchase consideration in excess of net assets (shown as goodwill and other intangibles)	<u>298.5</u>

The cash flows are as follows: £340m purchase price and estimated transaction expenses of £11.5m such that the total cash outflow relating to the Acquisition will be £351.5m. These transaction expenses are not included in the calculation of goodwill as they will be expensed or amortised as required by IFRS.

Included in the £11.5m transaction expenses are expenses of £4.3m relating to the acquisition facility which will be amortised over two years reducing the borrowings amount on the pro forma statement of net assets, reducing the expensed transaction costs and increasing the interest payable and similar charges by £2.1m in the pro forma income statement as required by IFRS.

- (4) No adjustment has been made to reflect any synergies that may arise after the transaction has completed.
- (5) No adjustment has been made to reflect the financial results of Drax Group plc or Opus since the dates presented.

Part 2 Unaudited pro forma income statement of the Enlarged Group

	Drax Group plc for the year ended 31 December 2015 £m (Note 1)	<i>Adjustments</i>		Pro forma Enlarged Group £m
		Opus for the year ended 31 March 2016 £m (Note 2)	Financing and transaction adjustments £m (Note 3)	
Revenue	3,065.0	572.7	—	3,637.7
Fuel costs in respect of generation	(1,309.9)	—	—	(1,309.9)
Cost of power purchases	(851.3)	(253.4)	—	(1,104.7)
Grid Charges	(369.5)	(126.7)	—	(496.2)
Other retail costs	(125.5)	(85.5)	—	(211.0)
Total cost of sales	(2,656.2)	(465.6)	—	(3,121.8)
Gross profit	408.8	107.1	—	515.9
Operating and administrative expenses	(239.8)	(73.4)	(7.3)	(320.5)
EBITDA	169.0	33.7	(7.3)	195.4
Depreciation and amortisation	(100.4)	(0.9)	—	(101.3)
Asset obsolescence charges	(109.2)	—	—	(109.2)
Loss on disposal	(7.1)	—	—	(7.1)
Unrealised gains on derivative contracts	123.7	—	—	123.7
Operating profit	76.0	32.8	(7.3)	101.5
Interest payable and similar charges	(18.4)	(0.5)	(16.2)	(35.1)
Interest receivable	1.4	0.1	—	1.5
Profit before tax	59.0	32.4	(23.5)	67.9
Total tax (charge)/credit	(2.7)	(6.8)	3.3	(6.2)
Profit for the year attributable to equity holders	56.3	25.6	(20.2)	61.7

Notes

- (1) Drax Group plc's income statement for the year ended 31 December 2015 has been extracted, without material adjustment, from Drax Group plc's published financial information for the year ended 31 December 2015.
- (2) Opus income statement for the year ended 31 March 2016 has been extracted, without material adjustment, from the financial information in Part V (*Historical Financial Information relating to the Opus Group*). Refer to note 27 'Transition to IFRS' in the historical financial information included in Part V (*Historical Financial Information relating to the Opus Group*) for the adjustments to align to IFRS and Drax Group plc's accounting policies and conventions. After these adjustments there are no differences in the accounting policies applied by Drax Group plc and those applied by Opus under IFRS as presented in Part V (*Historical Financial Information relating to the Opus Group*).
- (3) Reflects the estimated transaction costs of £7.3m in 'operating and administrative expenses', which will be charged to the income statement as a non-recurring item.
Reflects interest costs of £14.1m on the debt raised in 'interest payable and similar charges', which is expected to be a recurring item. Included in the £11.5m transaction expenses are expenses of £4.3m relating to the borrowings which will be amortised over two years reducing the borrowings amount on the pro forma statement of net assets, reducing the transaction costs and increasing the interest payable and similar charges on the pro forma income statement by £2.1m as required by IFRS. The tax credit of £3.3m reflects the estimated tax deduction arising from these costs totalling £16.2m using the standard rate of tax that applied in the year ended 31 December 2015 of 20.25%.
- (4) No adjustment has been made to reflect any synergies that may arise after the transaction has completed.
- (5) No adjustment has been made to reflect the financial results of Drax Group plc or Opus since the dates presented.

Part B: Accountant's Report on Pro Forma Financial Information

Deloitte.

Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

The Board of Directors
on behalf of Drax Group plc
Drax Power Station
Selby
North Yorkshire
YO8 8PH

J.P. Morgan Limited
25 Bank Street
Canary Wharf
London
E14 5JP

18 January 2017

Dear Sirs,

Drax Group plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part VI (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) of the Class 1 circular dated 18 January 2017 (the "Investment Circular"), which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Acquisition of Opus Energy Group Limited might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully,

Deloitte LLP
Chartered Accountants

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**PART VII
ADDITIONAL INFORMATION**

1. Responsibility

Drax and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of Drax and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Drax

Drax was incorporated and registered in England and Wales as a public limited company on 13 September 2005 under the Companies Act 1985 with registered number 5562053 and the name Drax Group plc. The principal legislation under which Drax operates is the Companies Acts and the regulations made thereunder.

Drax is headquartered in the United Kingdom with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH and its telephone number is +44(0)1757 618381.

3. The Directors and Executive Committee

The Directors of Drax are:

<u>Name</u>	<u>Position</u>
Philip Cox CBE	Chairman
Dorothy Thompson CBE	Group Chief Executive
Will Gardiner	Chief Financial Officer
Andy Koss	Chief Executive, Drax Power
David Lindsell	Senior independent non-executive director
Tim Cobbold	Independent non-executive director
Tony Thorne	Independent non-executive director

The Executive Committee of Drax comprises:

<u>Name</u>	<u>Position</u>
Dorothy Thompson CBE	Group Chief Executive
Will Gardiner	Chief Financial Officer
Andy Koss	Chief Executive, Drax Power
Pete Madden	Chief Executive Officer, Drax Biomass
Matthew Rivers	Director of Corporate Affairs
Jonathan Kini	Chief Executive Officer, Drax Retail

Save as set out below, the business address of each Director and Executive Committee member is Drax's registered office:

- Jonathan Kini – Haven Power, The Havens, Ransomes Europark, Ipswich IP3 9SJ
- Pete Madden – Drax Biomass Inc., 5 Concourse Parkway NE, Suite 3100, Atlanta, Georgia 30328

4. Directors' and Executive Committee members' interests in Ordinary Shares

4.1 Holdings in Ordinary Shares

As at 13 January 2017 (being the Latest Practicable Date) the interests of each Director and Executive Committee member in the share capital of Drax are as follows:

Name of Director	Number of Ordinary Shares held	Percentage of the issued Ordinary Shares
Philip Cox CBE	60,000	0.015%
Dorothy Thompson CBE	329,512	0.081%
Will Gardiner	41,346	0.010%
Andy Koss	34,153	0.008%
David Lindsell	7,500	0.002%
Tim Cobbold	1,000	0.000%
Tony Thorne	7,500	0.002%

Name of Executive Committee member	Number of Ordinary Shares held	Percentage of the issued Ordinary Shares
Pete Madden	10,000	0.002%
Matthew Rivers	12,206	0.003%
Jonathan Kini	0	0.000%

4.2 Other interests

As at 13 January 2017 (being the Latest Practicable Date) certain Executive Committee members have the following interests in Ordinary Shares under a number of incentive plans:

Name of Executive Committee member	Name of share plan and award type	Grant date	Number of shares subject to award / option	Vesting / first exercisable date
Dorothy Thompson CBE	BMP Deferred	26.02.2014	21,904	26.02.2017
	BMP Matching	26.02.2014	131,425	26.02.2017
	BMP Deferred	04.03.2015	52,723	04.03.2018
	BMP Matching	04.03.2015	225,958	04.03.2018
	BMP Deferred	02.03.2016	59,309	02.03.2019
	BMP Matching	02.03.2016	254,183	02.03.2019
Will Gardiner	BMP Deferred	02.03.2016	5,063	02.03.2019
	BMP Matching	02.03.2016	353,504	02.03.2019
Andy Koss	BMP Matching	26.02.2014	33,982	26.02.2017
	BMP Matching	04.03.2015	49,160	04.03.2018
	BMP Matching	02.03.2016	61,999	02.03.2019
Pete Madden	BMP Matching	04.03.2015	46,688	04.03.2018
	BMP Matching	02.03.2016	23,897	02.03.2019
Matthew Rivers	BMP Matching	26.02.2014	38,608	26.02.2017
	BMP Matching	04.03.2015	55,852	04.03.2018
	BMP Matching	02.03.2016	62,829	02.03.2019
Jonathan Kini	BMP Matching	02.03.2016	87,599	02.03.2019

5. Details of the service contracts of the Directors

Details of the service contracts of the Directors are set out on page 90 of Drax's 2015 Annual Report and Accounts save that Tim Cobbold and Tony Thorne, on 27 September 2016 and 29 June 2016, respectively, entered into renewed service contracts for three-year terms on the same terms as set out in Drax's 2015 Annual Report and Accounts.

6. Major interests in shares

As at 13 January 2017 (being the Latest Practicable Date), Drax had received notification in accordance with chapter 5 of the Disclosure and Transparency Rules of the following notifiable interests in the voting rights of Drax Ordinary Shares:

Name of Shareholder	Date notified to the stock exchange	Notified number of voting rights	Notified percentage of voting rights
Invesco Limited	10.01.2017	89,201,833	21.93%
Schroders plc	09.12.2016	62,338,377	15.32%
Woodford Investment Management LLP	19.08.2014	21,703,125	5.36%
Artemis Investment Management LLP	06.05.2016	20,278,415	4.99%
Orbis Holdings Limited	01.12.2016	20,241,875	4.98%
Investec Asset Management Limited	19.12.2016	20,204,001	4.97%

7. Material contracts

7.1 Drax Group

The following contracts (not being contracts entered into in the ordinary course of business) have either: (i) been entered into by Drax or another member of the Drax Group within the period of two years immediately preceding the date of this document and are or may be material; or (ii) been entered into by Drax or another member of the Drax Group which contain any provisions under which any member of the Drax Group has any obligation or entitlement which is, or may be, material as at the date of this document:

(A) *Acquisition Agreement and Warranty and Indemnity Insurance Policy*

Details of the terms of the Acquisition Agreement and the Warranty and Indemnity Insurance Policy are set out in Part IV (*Principal Terms of the Acquisition*) of this document.

(B) *Investment contract relating to the Drax 3rd Conversion Unit (Unit 1)*

On 9 May 2014, Drax Power (a member of the Drax Group) entered into an investment contract relating to its third coal-to-biomass unit conversion ("**Unit 1**") with the Secretary of State for Energy and Climate Change (the "**Investment Contract**"). Such investment contracts were introduced by the Government to support the development of low carbon electricity and to encourage the renewables sector.

The Investment Contract works by stabilising revenues attributed to Drax Power's Unit 1 at a fixed price level known as the "strike price". Unit 1 will receive revenue from selling electricity into the market as usual. However, when the market reference price (as specified in the Investment Contract) is below the strike price, Drax Power will receive a payment to cover the difference. Conversely, if the market reference price is above the strike price, Drax Power will be required to make a payment for the difference. The effect of the Investment Contract is therefore to remove the uncertainty of Drax Power's revenue stream in relation to its Unit 1 until 31 March 2027 when the term of the Investment Contract expires.

The Investment Contract is subject to the Investment Contract Standard Terms and Conditions dated 9 May 2014 which require Drax Power to meet certain requirements and

milestones and provide for early termination of the Investment Contract in the event that Drax Power is unable to meet certain of its obligations under the Investment Contract.

(C) *Commercial services agreement*

On 31 March 2016, Drax Power (a member of the Drax Group) entered into an agreement amending an existing commercial services agreement dated 1 December 2010 (the “**CSA**”) with National Grid Electricity Transmission plc (“**NGET**”). Pursuant to the terms of the CSA, Drax Power is required to provide certain ancillary services including the maintenance of capability so that, in the event of a total or partial shutdown of the National Grid Transmission System, at least one of Drax Power’s generators is able to energise the National Grid Transmission System without external electricity supply (the “**Black Start Services**”) in consideration for which NGET will make monthly payments to Drax Power.

Drax Power will continue to provide Black Start Services pursuant to the CSA until its expiry at 24:00 on 31 March 2017, save that NGET may terminate the CSA in a number of instances including in the event that Drax Power is unable to comply with certain of its obligations in relation to its provision of the Black Start Services.

(D) *Acquisition Facility Agreement*

Drax entered into an acquisition bridge facility agreement on 17 January 2017 between Drax Developments as borrower, Drax as parent and a guarantor, DGHL as a guarantor, Barclays Bank plc and J.P. Morgan Limited as mandated lead arrangers, Barclays Bank plc as facility agent and security agent, and Barclays Bank plc and J.P. Morgan Chase Bank, N.A., London Branch as original lenders (“**Acquisition Facility Agreement**”).

Under the Acquisition Facility Agreement the lenders will make available a £375 million committed acquisition facility (“**Acquisition Facility**”), including without limitation, a certain funds facility for the purposes of the Acquisition.

Borrowers and guarantors

Drax Developments will finance the Acquisition by drawing under the Acquisition Facility Agreement.

The Acquisition Facility is guaranteed on a joint and several basis by Drax and DGHL.

Security

The finance parties under the Acquisition Facility Agreement have the benefit of first ranking security granted by Drax over the shares it holds in DGHL and each of its direct subsidiaries incorporated under the laws of England and Wales from time to time.

Purpose

Each loan under the Acquisition Facility may be used for the Acquisition, including the refinancing of the existing indebtedness of the Opus Group (and related expenses) and for other permitted acquisitions, as well as for general corporate purposes.

Availability and maturity

The Acquisition Facility is available to be drawn up until Completion on a certain funds basis, and will mature on the date falling 18 months from the date the Acquisition Facility Agreement was entered into.

Prepayment / cancellation

The Acquisition Facility Agreement contains provisions for voluntary prepayment, mandatory prepayment (on the occurrence of certain events including change of control and illegality) and cancellation. The Acquisition Facility Agreement provides for mandatory prepayment of net proceeds arising from any equity raise, debt capital markets issuance or loan financing by

any member of the Group (except as specifically provided for) and makes provision for mandatory prepayment for disposals (over specified thresholds) and in respect of any recovery claims made against the Sellers.

The Acquisition Facility Agreement also contains customary provisions for the prepayment and cancellation of a particular lender's commitments in the case of a defaulting lender, additional payments being charged for tax reasons or increased costs.

Interest

Interest is payable under the Acquisition Facility at a rate of LIBOR plus the applicable margin. The applicable margin will step up every six months from the date of the first utilisation date, and will range from 5.25% to 6.50% per annum for the term of the Acquisition Facility.

Financial covenants

The Acquisition Facility Agreement does not contain any financial covenants.

Representations, covenants and events of default

The Acquisition Facility Agreement applies a maintenance covenant approach based on the covenant package provided under the RCF Agreement, which is summarised below (see paragraph 7.1(E) of this Part VII (*Additional Information*)), except that:

- certain covenants have been extended to cover the Group rather than just the Drax Secured Group, including those relating to compliance with laws, negative pledge, disposals, financial indebtedness, change of business, acquisitions, arm's length transactions and loans out (and consequently carve-outs and thresholds have been included to reflect that);
- certain representations and warranties have been extended to apply to the Group (rather than applying to the Drax Secured Group only, as under the RCF Agreement), including those relating to non-conflict, ownership of assets, information and compliance with laws and regulations; and
- certain events of default have been extended to apply to the Group (rather than applying to the Drax Secured Group only as under the RCF Agreement), including those relating to cross-default, insolvency, creditors' process, cessation of business and proceedings.

In addition, Drax may not issue dividends in breach of its stated dividend policy and may only amend that policy within certain limits (or otherwise with majority lender consent).

Governing law

The Acquisition Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(E) *Revolving Credit Facility Agreement*

Drax Power, as borrower, entered into a revolving credit facility agreement on 20 December 2012 between, among others, Drax Power, Barclays Bank plc as facility agent and Drax Finance and its subsidiaries as guarantors, which was amended and restated pursuant to a global amendment and restatement deed ("**Global A&R Deed**") dated 8 December 2015 ("**RCF Agreement**"), pursuant to which the lenders have made available a £400 million committed multicurrency working capital and ancillary facility, including, without limitation, a letter of credit facility ("**Revolving Facility**").

Borrowers and guarantors

The current borrower under the RCF Agreement is Drax Power. The RCF Agreement provides for the flexibility of acceding (and subsequently resigning) subsidiaries of Drax Finance (subject to certain customary conditions) as additional borrowers.

The Revolving Facility is guaranteed on a joint and several basis by Drax Finance and each of its subsidiaries. Drax Finance is obliged to procure that each of its new subsidiaries accede to the RCF Agreement and become a guarantor under the Revolving Facility. A guarantor may cease to be a guarantor under the RCF Agreement if it is subject to a permitted disposal or if it has the requisite creditor consent to so resign.

Neither Drax nor DGHL are guarantors under the RCF Agreement but both give holding company representations and undertakings under the RCF Agreement, which are summarised below.

Security

The finance parties under the RCF Agreement have the benefit of first ranking security granted by the Drax Secured Group. The security granted extends to all the assets of each of the members of the Drax Secured Group, including intellectual property, real estate (including the power station itself), other fixed assets and shares held in subsidiaries.

DGHL has also granted security over the shares it holds in Drax Finance.

Purpose

Each loan under the Revolving Facility may be used (i) to provide cash collateral in favour of certain permitted counterparties; (ii) to provide cash cover in favour of an issuing bank of a letter of credit or in respect of an ancillary facility under the RCF Agreement; (iii) for the general corporate purposes of the Drax Secured Group, including, but not limited to, financing working capital requirements (provided that working capital loans do not exceed £100 million (or its equivalent) at any given time).

Availability and maturity

The Revolving Facility is available to be drawn until one month prior to the final maturity date and letters of credit may be issued up until the final maturity date (in each case, as such may be extended). The Revolving Facility currently has a final maturity date of 8 December 2019. This may be extended, at the discretion of the lenders and the issuing bank, by an additional period of one year.

As at the Latest Practicable Date, there were no amounts drawn under the Revolving Facility and letters of credit of £57.9 million had been issued and were outstanding.

Prepayment / cancellation

The RCF Agreement contains provisions for voluntary prepayment, mandatory prepayment (on the occurrence of certain events (including change of control, illegality and receipt of insurance proceeds (above a de minimis of proceeds of £25 million)) and cancellation.

The RCF Agreement also contains customary provisions for the prepayment and cancellation of a particular lender's commitments in the case of a defaulting lender, additional payments being charged for tax reasons or increased costs.

Interest

Interest is payable under the Revolving Facility at a rate of LIBOR, or in the case of loans in euro, EURIBOR) plus the applicable margin. Save for in circumstances where an event of default has occurred and is continuing or Drax Power has failed to notify the facility agent of a change in rating, the applicable margin is determined by reference to a ratings matrix.

Financial covenants

The RCF Agreement contains financial covenants governing the operation of the Drax Secured Group's business. These include compliance with an interest cover ratio measuring the adjusted EBITDA of the Drax Secured Group against its financing costs and a leverage ratio measuring senior net debt against the Drax Secured Group's adjusted EBITDA. The financial covenants are each tested semi-annually at 30 June and 31 December on a 12-month look-back basis.

Representations, covenants and events of default

The RCF Agreement contains representations, information covenants and undertakings that apply to Drax Power, the Drax Secured Group or specific members of the Drax Secured Group, that are customary for debt facilities of this nature. The RCF Agreement also contains a number of restrictive and other covenants, including restrictions on creating security interests, disposals, indebtedness, hedging, change of business, mergers, acquisitions, joint ventures, third party guarantees, maintaining a rating, providing loans, issuing dividends and covenants in relation to sanctions. In addition, there are obligations in respect of environmental matters and operation and maintenance obligations and information reporting obligations in respect of the Secured Trading Line (see paragraph 7.1(l) of this Part VII (*Additional Information*)).

The Acquisition does not fall within the ambit of the RCF Agreement covenants as the covenant package bites only on the Drax Secured Group, and the Acquisition is being made by Drax Developments, which sits outside of the Drax Secured Group.

In addition, the RCF Agreement contains holding company representations and undertakings that apply to Drax and DGHL, including restrictions on creating security interests, loans-in, loans-out and disposals.

The RCF Agreement contains customary events of default (subject in certain cases to agreed thresholds, grace periods and qualifications), including non-payment, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings, creditors' process, cessation of business, effectiveness of finance documents, ownership of obligors and proceedings. In addition to these customary events of default, the RCF Agreement contains events of default reflective of the nature of Drax's business, relating to the generation licence granted to Drax Power pursuant to the Electricity Act 1989, nationalisation, and the Secured Trading Line (see paragraph 7.1(l) of this Part VII (*Additional Information*)). At any time after the occurrence of an event of default, the facility agent may, and on the instruction of majority lenders must, cancel all or any part of the total commitments and/or declare that amounts outstanding are immediately due and payable and/or payable on demand.

Governing law

The RCF Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(F) *Pru-M&G Facility Agreement and GIB Facility Agreement*

Drax Finance, as borrower, entered into an amortising term loan facility agreement on 6 July 2012 between, among others, Prudential/M&G UK Companies Financing Fund LP as the original lender and M&G Investment Management Limited as facility agent, which was amended and restated pursuant to the Global A&R Deed ("**Pru-M&G Facility Agreement**"), pursuant to which the lenders have made available a £100 million committed Sterling term facility ("**Pru-M&G Facility**").

Drax Finance, as borrower, entered into an amortising term loan facility agreement on 20 December 2012 between, among others, UK Green Investment Bank plc as the original lender and UK Green Investment Bank plc as facility agent, which was amended and restated pursuant to the Global A&R Deed ("**GIB Facility Agreement**"), pursuant to which the lender has made available a £100 million committed sterling term facility in three tranches ("**GIB Facility**").

Guarantors

Both the Pru-M&G Facility and the GIB Facility are guaranteed on the same basis and by the same entities as referred to in paragraph 7.1(E) (*Borrowers and guarantors*) of this Part VII (*Additional Information*), with the exception that Drax Finance is not a guarantor because it is the borrower under the Pru-M&G Facility and the GIB Facility.

Security

The finance parties under both the Pru-M&G Facility Agreement and the GIB Facility Agreement benefit from the same ranking security granted by the Drax Secured Group and

the share pledge granted by DGHL referred to in the section entitled Revolving Credit Facility Agreement (see paragraph 7.1(E) of this Part VII (*Additional Information*)).

Purpose

The term debt drawn under the Pru-M&G Facility and the GIB Facility was used to support the conversion of Drax Power's generating units from coal-firing to biomass-firing units and the related costs of compliance.

Availability, amortisation and maturity

Under the Pru-M&G Facility, there is one loan outstanding. Subject to any adjustments in relation to prepayment / cancellation in accordance with the Pru-M&G Facility Agreement, the loan is repayable in the following three instalments: (i) 25% of the principal amount outstanding on 21 December 2018; (ii) 25% of the principal amount outstanding on 21 December 2019; and (iii) 50% of the principal amount outstanding on 21 December 2020.

As at the Latest Practicable Date, £100 million was drawn under the Pru-M&G Facility.

Under the GIB Facility, two of the tranches were cancelled in April 2013 and the remaining tranche of £50 million was fully drawn down on 29 April 2013. Subject to any adjustments in relation to prepayment / cancellation in accordance with the GIB Facility Agreement, this loan is repayable in the following three instalments: (i) 25% of the principal amount outstanding on the 29 April 2019; (ii) 25% of the principal amount outstanding on the 29 April 2020; and (iii) 50% of the principal amount outstanding on 20 December 2020.

As at the Latest Practicable Date, a total of £50 million was drawn under the GIB Facility.

Prepayment / cancellation

Both the Pru-M&G Facility and the GIB Facility Agreement contain provisions for voluntary prepayment, mandatory prepayment (on the occurrence of certain events including change of control, illegality and receipt of insurance proceeds (above a de minimis of proceeds of £25 million)) and cancellation.

Each agreement also contains customary provisions for the prepayment and cancellation of commitments in the case of a defaulting lender, additional payments being charged for tax reasons or increased costs.

Interest

Interest is payable under the Pru-M&G Facility and the GIB Facility at a rate of LIBOR plus the applicable margin and any mandatory costs. In each case, consistent with the position under the RCF Agreement, save for in circumstances where an event of default has occurred and is continuing or Drax Finance has failed to notify the facility agent of a change in rating, the applicable margin is determined by reference to a ratings matrix.

Financial covenants

The same interest coverage and leverage financial covenants (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under both the Pru-M&G Facility Agreement and the GIB Facility Agreement.

Representations, covenants and events of default

The same representations, information covenants and undertakings (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply with respect to the Drax Secured Group under both the Pru-M&G Facility Agreement and the GIB Facility Agreement. However, the GIB Facility Agreement does not have a sanctions representation and contains a slightly narrower sanctions covenant than that in the RCF Agreement. In addition, the GIB Facility Agreement has information covenants in relation to the conversion of some of the

generating units from coal-firing to biomass-firing, and environmental matters generally. The GIB Facility Agreement also has additional data reporting requirements, as well as undertakings relating to social standards and sustainability.

The same holding company representations and undertakings that apply to Drax and DGHL (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under both the Pru-M&G Facility Agreement and the GIB Facility Agreement. However, the GIB Facility Agreement also contains additional undertakings for Drax in relation to environmental, social and governance matters, anti-corruption provisions, restrictions on press releases and tax arrangements.

In addition, both the Pru-M&G Facility Agreement and the GIB Facility Agreement contain a most-favoured lender provision, under which the lenders are entitled to receive the benefit of (i) any covenant that is more restrictive on any member of the Drax Secured Group, and (ii) any provision that is more favourable to a creditor, in relation to any finance document, Secured Trading Line document or secured hedging document.

The same events of default (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under both the Pru-M&G Facility Agreement and the GIB Facility Agreement.

Governing law

The Pru-M&G Facility Agreement and the GIB Facility Agreement and any non-contractual obligations arising out of or in connection with them are governed by English law.

(G) *Note purchase agreements*

Drax Finance issued £30 million floating rate secured senior notes ("**Floating Rate Notes**") under the terms of a note purchase agreement dated 8 May 2014, which was amended and restated pursuant to the Global A&R Deed ("**FRN NPA**").

Drax Finance also issued £70 million indexed-linked secured senior notes ("**Index-Linked Rate Notes**") under the terms of a note purchase agreement dated 8 May 2014, which was amended and restated pursuant to the Global A&R Deed ("**Index-Linked NPA**").

Guarantors

Each series of notes is guaranteed on the same basis and by the same entities (as set out in paragraph 7.1(E), (*Borrowers and guarantors*) of this Part VII (*Additional Information*)), with the exception that Drax Finance is not a guarantor because it is the issuer of the notes.

Security

The noteholders of each series of notes benefit from the same ranking security granted by the Drax Secured Group and the share pledge granted by DGHL referred to in paragraph 7.1(E) of this Part VII (*Additional Information*).

Amortisation and maturity

The FRN NPA provides for the principal amount of the Floating Rate Notes to either amortise or be repaid in full at maturity, as specified under the terms of the relevant Floating Rate Note. Drax Finance has issued £27.5 million of Floating Rate Notes that are amortising and £2.5 million of Floating Rate Notes with a bullet repayment on maturity on 14 May 2020. The amortising Floating Rate Notes are to be repaid in three instalments, with one-third of the principal amount of those notes to be repaid on 14 May in each of 2019, 2020 and 2021, subject to certain prepayments.

The Index-Linked NPA provides that the principal amount of the Index-Linked Rate Notes to be repaid in three instalments in an amount determined by looking at the product of one-third of the principal amount outstanding at such instalment date and the applicable index ratio, subject to certain prepayments. The repayment dates are 14 May in each of 2023, 2024 and 2025.

Prepayment / cancellation

Subject to certain conditions, Drax Finance may prepay all, or part of the Floating Rate Notes (although, in the case of a partial prepayment, not less than 5% of the aggregate principal amount of the Floating Rate Notes outstanding) at 100% of the principal amount so prepaid together with accrued interest and, if prepaid before 14 May 2017, together with a prepayment fee of 2% of the principal amount prepaid.

Subject to certain conditions, Drax Finance may prepay all, or part of the Index-Linked Rate Notes (although, in the case of a partial prepayment, not less than 5% of the aggregate principal amount of the Index-Linked Rate Notes outstanding) at 100% of the principal amount so prepaid multiplied by the applicable index ratio together with accrued interest and a make-whole amount. The make-whole amount, in respect of a note, is an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments in respect of the called principal of such note over the amount of such called principal.

In addition, each series of notes contains provisions for mandatory prepayment (on the occurrence of certain events including change of control, illegality and receipt of insurance proceeds (above a de minimis of proceeds of £25 million)). Drax Finance may also prepay particular notes for tax reasons.

Interest

Interest is payable on the Floating Rate Notes at a rate of LIBOR plus a fixed margin, quarterly in arrears.

Interest is payable on the Index-Linked Rate Notes at a rate determined by multiplying a fixed rate with an index ratio (such index ratio being based on the Non-revised Retail Price Index All Items in the United Kingdom index (UK RPI)) payable semi-annually in arrears.

Financial covenants

The same interest coverage and leverage financial covenants (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under the FRN NPA and the Index-Linked NPA.

Representations, covenants and events of default

The same representations, information covenants and undertakings (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply with respect to the Drax Secured Group under the FRN NPA and the Index-Linked NPA.

In addition, the FRN NPA and the Index-Linked NPA each contain a most favoured lender provision, under which the noteholders are entitled to receive the benefit of (i) any covenant that is more restrictive on any member of the Drax Secured Group, and (ii) any provision that is more favourable to a creditor, in relation to any finance document, Secured Trading Line document or secured hedging document.

The same holding company representations and undertakings that apply to Drax and DGHL (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under the FRN NPA and the Index-Linked NPA.

The same events of default (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)) apply under the FRN NPA and the Index-Linked NPA.

Governing law

The FRN NPA and the Index-Linked NPA and any non-contractual obligations arising out of or in connection with each of them are governed by English law.

(H) *I-UK Covenanted Agreement and Guarantee and Reimbursement Agreement*

Drax Finance issued £75,000,000 of fixed rate unsecured loan notes due 2018 ("**I-UK Loan Notes**") to Friends Life Limited on 30 April 2013 pursuant to a I-UK loan note instrument dated 23 April 2013. The I-UK Loan Notes were guaranteed by The Lords Commissioners of

Her Majesty's Treasury ("HMT") pursuant to Her Majesty's Government's financial guarantee scheme for infrastructure projects (the "**UK Guarantee**"). Drax Finance entered into a guarantee and reimbursement agreement with HMT on 28 March 2013 ("**Guarantee and Reimbursement Agreement**"), pursuant to which Drax Finance will counter-indemnify HMT for any payment made or liability assumed by HMT under the UK Guarantee. In addition, Drax Finance entered into a covenanted agreement with, among others, HMT on 23 April 2013, as amended and restated by the Global A&R Deed (the "**I-UK Covenanted Agreement**"), pursuant to which HMT receives the benefit of a covenant package from the Drax Secured Group as summarised below.

Guarantors

The I-UK Covenanted Agreement is guaranteed on the same basis and by the same entities (as set out in paragraph 7.1(E) of this Part VII (*Additional Information*)), with the exception that Drax Finance is not a guarantor because it is the issuer of the underlying I-UK Loan Notes.

Security

HMT benefits from the same ranking security granted by the Drax Secured Group and the share pledge granted by DGHL referred to in paragraph 7.1(E) of this Part VII (*Additional Information*).

Representations, covenants and events of default

The same representations, information and financial covenants and undertakings (including the holding company representations and undertakings) that apply in respect of the GIB Facility Agreement (as set out in paragraph 7.1(F) of this Part VII (*Additional Information*)) also apply with respect to the Drax Secured Group under the I-UK Covenanted Agreement.

The same events of default that apply in respect of the GIB Facility Agreement (as set out in paragraph 7.1(F) of this Part VII (*Additional Information*)) also apply under the I-UK Covenanted Agreement. However, given the nature of the I-UK Covenanted Agreement, an event of default will not give rise to acceleration of the I-UK Loan Notes but instead imposes a cash collateralisation obligation on Drax Finance for the benefit of HMT.

Governing law

The I-UK Loan Notes, UK Guarantee, Guarantee and Reimbursement Agreement and I-UK Covenanted Agreement and any non-contractual obligations arising out of or in connection with each of them are governed by English law.

(I) *Trading*

Drax Power has entered into ISDA agreements with a number of financial institutions (the "**STL Counterparties**"), under which Drax Power can trade UK power trades in respect of summer 2017 onwards and dark green spreads on a senior secured basis without the requirement to post collateral (the "**Secured Trading Line**"). The tradeable volumes permitted under the Secured Trading Line are set on a seasonal basis, with the maximum seasonal trading volume being up to 600MW.

The STL Counterparties benefit from the same ranking security granted by the Drax Secured Group and the share pledge granted by DGHL referred to in paragraph 7.1(E) of this Part VII (*Additional Information*).

In addition, the Drax Secured Group has the ability to enter into currency and interest rate trades on a secured basis, with such counterparties also benefiting from the security package referred to above.

These arrangements are in addition to any commodities and/or currency and interest rate trading that the Group does on an unsecured and/or title transfer collateral basis.

(J) *ROC Monetisation Agreements*

Drax Power has entered into separate receivable purchase agreements with each of HSBC Bank plc, Lloyds Bank Commercial Finance Limited and Deutsche Bank AG, London Branch (each a "**ROC Monetisation Agreement**") in respect of the sale by Drax Power (on an

uncommitted, non-recourse basis) of invoices relating to renewable obligations certificates issued to Drax Power by the Gas and Electricity Markets Authority pursuant to the Electricity Act 1989, and delivered by Drax Power to its counterparties.

(K) *Haven Power MRTSA*

Haven Power has entered into a master receivables and transfer and servicing agreement (“**Haven Power MRTSA**”), under which Haven Power as seller and servicer, sells trade receivables to Ester Finance Titrisation as purchaser, with Crédit Agricole Corporate and Investment Bank as the arranger and calculation agent and Eurotitrisation as the programme agent.

Drax Power guarantees Haven Power’s obligations under the Haven Power MRSTA.

(L) *OCGT developments*

On 5 December 2016, Drax Developments entered into an agreement with Watt Power Limited, a developer of OCGT assets, to acquire four companies each holding a 299MW OCGT development project. OCGTs are gas-fired power plants that can be used by Drax to provide flexible support to the electricity system to make up any shortfall in generation.

Two of these projects are in an advanced stage of development and participated in the 2016 T-4 capacity market auction, although exited above the clearing price. It is therefore expected that these two projects will now go on to participate in the 2017 T-4 capacity market auction, which will take place in December 2017. If either of these projects are awarded a capacity contract in this auction they will commence operations by 2021, supported by a 15-year capacity contract, providing a very high level of base revenue certainty until at least 2036.

The other two projects require further development in anticipation of their targeted participation in the 2019 T-4 capacity market auction.

The initial purchase price under the agreement for all four companies was £18.5 million, with the total consideration payable dependent on the clearing price in future capacity market auctions.

7.2 Opus Group

The following contracts (not being contracts entered into in the ordinary course of business) have either: (i) been entered into by Opus or another member of the Opus Group within the period of two years immediately preceding the date of this document and are or may be material; or (ii) been entered into by Opus or another member of the Opus Group which contain any provisions under which any member of the Opus Group has any obligation or entitlement which is, or may be, material as at the date of this document:

(A) *IPM arrangements*

OEL has entered into arrangements for the supply of electricity and gas with IPM, a 75% owned subsidiary of the Engie group. Under these arrangements, OEL is able to purchase/sell electricity up to four years out, with trades either transacted as short-term trades (around four days forward) or long-term trades (up to four years forward). These arrangements are comprised of:

- (i) standard industry form master agreements between OEL and IPM under which trades can be made (one in respect of electricity and the other in respect of gas);
- (ii) confirmations in respect of individual trades made under the master agreements; and
- (iii) two long-term wholesale supply agreements (one in respect of electricity and the other in respect of gas).

These trading arrangements are supported by a collateral posting arrangement between OEL and IPM, under which OEL is required, in certain circumstances, to post collateral in respect of relevant trades pursuant to a master collateral and netting agreement. In addition, various members of the Opus Group have granted security and guarantees to IPM in respect of OEL’s obligations under the long-term wholesale supply agreements.

In the ordinary course, the long-term wholesale supply arrangements may be terminated by either IPM or OEL on no less than six months' prior written notice, provided that such notice may not be served prior to 31 December 2018 and the electricity and gas supply arrangements are terminated simultaneously. However, upon a change of control of Opus (which would include the Acquisition), subject to certain conditions, either party may serve, within 30 days of completion of a change of control, six months' notice of termination of either or both of the long-term wholesale supply agreements. Upon termination, the master agreements will remain in place until all trades have been closed out under them.

The IPM arrangements require OEL and certain other entities within the Opus Group to satisfy the electricity and gas requirements of their customers by purchasing electricity and gas from IPM exclusively (subject to a carve-out for the purchase of a certain amount of renewable energy) and to provide IPM with various management information in relation to OEL and certain other entities within the Opus Group. Upon service of a notice of termination by OEL of the long-term wholesale supply agreements, these requirements may be disapplied and the security/guarantees granted by the Opus Group may be released if collateral is posted in accordance with the agreements for any outstanding trades.

As set out in paragraph 2 of Part I (*Letter from the Chairman of Drax Group plc*), in the year following Completion, Drax intends that these arrangements will be terminated and replaced with arrangements with Drax Power.

(B) *John Dryden House sale agreement*

OEL entered into a sale agreement dated 31 May 2016 to purchase the 999-year leasehold interest in John Dryden House (the "**999 Year Lease**") from the current owner, Northamptonshire County Council (the "**Council**"). There are 975 years left remaining on the 999 Year Lease. The Opus Group is looking to consolidate most of their Northampton operations into this building.

The purchase price is £9.35 million (exclusive of VAT) and a deposit of £467,500 was paid at exchange. The balance of the purchase price is payable at completion. Completion is scheduled for 31 March 2017, although the Council can call for an earlier completion date by giving not less than one month's notice at any time after 30 September 2016.

There is also a management company (The Lakes (Waterside) Management Company Limited) that is the freehold owner (and therefore landlord) of the estate of which John Dryden House forms part and which is owned by the various leaseholders. The Council's shares in the management company will be transferred to OEL at completion. On completion, OEL is also required to enter into a deed of covenant in favour of the landlord under the 999 Year Lease to comply with the tenant covenants in that lease.

(C) *Senior Facilities Agreement*

Pursuant to a credit agreement dated 1 July 2014 (as most recently amended and restated on 18 March 2016) between, among others, OEL (as borrower and guarantor), Opus and certain members of its group (each as guarantors of the obligors' obligations under the credit agreement), Barclays Bank plc and HSBC Bank plc (as lenders and arrangers) and Barclays Bank plc (as agent), the lenders have made available a £35 million revolving credit facility with a £15 million accordion option and up to £10 million of ancillary facilities (which are made available through an existing overdraft facility between Opus, certain members of its group and Barclays Bank plc) (the "**Senior Facilities Agreement**"). As at the Latest Practicable Date there were no amounts outstanding under the Senior Facilities Agreement.

Pursuant to a debenture between Opus, certain Opus group entities (being, together with Opus, the "**Chargors**") and Barclays Bank plc dated 1 July 2014, and a supplemental debenture between the Chargors and Barclays Bank plc dated 18 March 2016, the Chargors have granted security in favour of Barclays Bank plc (as security agent for, inter alia, the lenders under the Senior Facilities Agreement) as security for the obligations of the Chargors under the Senior Facilities Agreement.

(D) *Director loans*

In connection with option exercises in 2016, OEL made a loan of £550,000 to Louise Boland on 15 March 2016, which as at the Latest Practicable Date, had a total outstanding amount of £481,129. A further drawdown of £180,000 is expected on 16 January 2017 (the “**Director Loan**”).

The term of the Director Loan is 32 years, although it has been agreed that the amounts outstanding will be repaid on or shortly after Completion.

The Director Loan is repayable by deducting a set percentage from, or all of, any dividends paid out to Louise (as an option holder) in respect of her shares. Whether the amount repaid is a percentage or the whole dividend depends on whether Louise is employed by the lender at the time. Any remaining outstanding amount is repaid at the end of the term of the Director Loan but can be prepaid at any time.

Interest on the Director Loan accrues daily on the lower of (i) the higher of 1.75% above the base rate of the Bank of England; and the HMRC official rate of interest, or (ii) 7%. On each anniversary of the Director Loan, the interest accrued is compounded and added to the loan amount. Interest then accrues on the new loan amount.

8. **Opus Group management team**

Following the Acquisition, Opus will form part of Drax’s retail operations, which are led by Jonathan Kini. On Completion, Fred Esiri (Chairman), Charles Crossley Cooke (Chief Executive) and Louise Boland (Managing Director) are expected to leave their employment with the Opus Group, although Charles and Louise are expected to continue to be available to the Opus Group on a consultancy basis for a short period if required. Opus is currently led by an experienced senior management team who, save for as set out above, are expected to remain in their respective roles.

Jonathan Kini will continue to lead Drax’s retail business (including Opus) and represent it at Drax’s Executive Committee level. There will not be any changes to the Drax Board following the Acquisition.

Tim Boylan, Sales Director

Tim’s responsibilities focus on the development and management of internal and third party sales channels that concentrate on both the acquisition of new business and the retention of existing customers. Prior to joining Opus in 2002, he was Managing Director of a consultancy focused on reducing business customers’ energy costs.

Steve Foster, Finance Director

Steve joined Opus in 2011 as Finance Director responsible for the financial management of the group. Prior to joining Opus, Steve held senior financial management roles in Fraikin Ltd, Welsh Power Group and E.ON UK.

Steve James, Corporate Solutions Director

Steve joined Opus in 2002 and is responsible for the company’s corporate and renewables divisions. He has overseen the implementation and establishment of new products, including Opus Evolution, an important product on the corporate solutions side of the business. Steve has over 17 years of experience within the gas and electricity markets, leading commercial, customer service and business development teams.

Stuart Lloyd-Evans, Director of Risk and Trading Operations

Stuart joined Opus in 2015 as Director of Risk and Trading Operations. He is responsible for risk management and trading and wholesale operations and pricing. Prior to joining Opus, Stuart was Head of UK Commodity Risk and Head of Hedging at E.ON UK.

Andy Nash, Operations Director

Andy joined Opus in 2004 and has 16 years’ experience in customer service and operations management gained in the financial services and the utility industries. He is accountable for

end-to-end operational processes and performance including new customer registration, invoice production and dispatch and customer service delivery. Andy's remit encompasses both gas and electricity products across small SME and corporate SME portfolios.

Annamarie Petsis Jones, HR Director

Annamarie joined Opus in 2011 as HR Director. She has been a qualified solicitor for 16 years with experience in employment law and HR, including having formerly been Head of HR of Denticare Limited.

Alex Sena, IT Director

Alex has over 21 years' experience in the banking, insurance and energy industries. He joined Opus in 2002 to help develop the bespoke suite of applications that underpin the business. Alex is responsible for the continued development of these systems, and the Opus data centre that houses them.

Ian Stockbridge, Credit Operations Director

Ian joined Opus in 2003 as Head of Credit Operations. His duties include credit assessment, collections and recoveries. As a member of the Institute of Credit Managers he has worked within credit and collections for 26 years.

9. Litigation

9.1 Drax

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Drax aware of any such proceedings being pending or threatened by or against any member of the Drax Group) which may have, or during the last 12 months prior to the date of this document have had, a significant effect on the financial position or profitability of the Drax Group.

9.2 Opus

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor are the Directors aware of any such proceedings being pending or threatened by or against any member of the Opus Group) which may have, or during the last 12 months prior to the date of this document have had, a significant effect on the financial position or profitability of the Opus Group.

10. Working capital

Drax is of the opinion that, taking into account the cash, the Acquisition Facility and other facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital available to it for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

11. Consents

J.P. Morgan Cazenove has given, and has not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its report on the unaudited pro forma financial information in Part VI (*Unaudited Pro Forma Financial information relating to the Enlarged Group*), in the form and context in which it is included.

KPMG LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its report on the historical financial information relating to the Opus Group in Part V (*Historical Financial Information relating to the Opus Group*), in the form and context in which it is included.

12. Significant change

12.1 Drax

There has been no significant change in the financial or trading position of the Drax Group since 30 June 2016, being the date of the last financial period for which financial information has been published.

12.2 Opus

There has been no significant change in the financial or trading position of the Opus Group since 31 March 2016, being the date to which the financial information on the Opus Group, presented in Part V (*Historical Financial Information relating to the Opus Group*), has been prepared.

13. Related party transactions

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002), Drax has entered into:

- (A) during the financial year ended 31 December 2013 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 35 on page 141 of Drax's 2013 Annual Report and Accounts;
- (B) during the financial year ended 31 December 2014 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 36 on page 140 of Drax's 2014 Annual Report and Accounts;
- (C) during the financial year ended 31 December 2015 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8.4 on page 145 of Drax's 2015 Annual Report and Accounts; and
- (D) in respect of the period from 1 January 2016 to the date of this document, Drax's only related party transactions were the payment of salary and benefits to its Directors and Executive Committee members.

14. Profit estimate / forecast

14.1 Drax

On 6 December 2016, Drax announced the Acquisition and reconfirmed its outlook for 2016 to the market. This included the following statement:

"Drax continues to expect full year EBITDA to be around the bottom of the range of current market forecasts."

In the announcement, the *"range of current market forecasts"* at 6 December was defined as follows:

"Based on a range of market forecasts for EBITDA, published since 26 July 2016, of £135 million to £169 million. These forecasts generally assume a CfD Investment Contract for Drax's third biomass unit conversion with a strike price of £100/MWh (2012 terms) by January 2017."

This statement constitutes a profit estimate for the purposes of the Listing Rules (the **"Profit Estimate"**). The Profit Estimate relates to the 12 month period ended 31 December 2016.

The Directors have considered and confirm that the Profit Estimate remains correct at the date of this document.

Basis of preparation

The Profit Estimate has been properly compiled on a basis consistent with the current accounting policies of Drax, which are in accordance with IFRS as adopted by the European Union.

The Directors have prepared the Profit Estimate based upon the unaudited management accounts for the 12 months ended 31 December 2016.

14.2 Opus

On 6 December 2016, Drax announced the Acquisition. This included the following statement with respect to Opus:

“...it is expected that EBIT for the year ending 31 March 2017 will be generally in line with EBIT for the year ended 31 March 2016.”

The Historical Financial Information relating to the Opus Group, at Part V of this document, indicates operating profit / EBIT for the year ended 31 March 2016 was £32.8 million.

This statement constitutes a profit forecast for the purposes of the Listing Rules (the “**Profit Forecast**”). The Profit Forecast relates to the 12 month period ending 31 March 2017.

The Directors have considered and confirm that, excluding one-off exceptional transaction costs relating to the Acquisition payable by Opus (which are expected to be approximately £3 million), the Profit Forecast remains correct at the date of this document.

Basis of preparation

The Profit Forecast has been properly compiled on the basis of assumptions stated and on a basis consistent with the current accounting policies of Drax, which are in accordance with IFRS as adopted by the European Union.

The Directors have prepared the Profit Forecast based upon the unaudited management accounts for the eight months ended 30 November 2016 plus a forecast, prepared by Opus, for the four months ending 31 March 2017.

Assumptions

The Profit Forecast has been prepared on the basis of the following assumptions during the forecast period:

Factors outside the influence or control of the Directors, impacting Opus:

- (a) there will be no material change in the political and/or economic environment that would materially affect the operations of Opus;
- (b) there will be no material change in the regulation or any intervention by the CMA that would materially impact the operations and limit or regulate margins in the supply segment;
- (c) there will be no material change in legislation impacting applied accounting policies;
- (d) there will be no material changes in the structure of the markets, customer demand (including as a result of significant variance to seasonal weather norms) or the competitive environment that may limit Opus’ ability to reach its targets; and
- (e) there will be no material change in third party costs and Opus’ ability to pass these costs through to customers.

Factors within the influence or control of the Directors (following Completion), impacting Opus:

- (a) there will be no material change in the way business is contracted and procured compared to past experience;
- (b) there will be no material change in Opus’ ability to purchase and hedge power and gas requirements arising from contractual commitments with customers; and
- (c) there is no other issue which is material in the context of the Profit Forecast, beyond those issues that are already known to the Directors at the current time, which will arise in the context of the operations of Opus.

15. Source of financial information

Unless otherwise stated:

- (A) financial information relating to Drax has been extracted without material adjustment from Drax’s 2015 Annual Report and Accounts; and

- (B) financial information relating to Opus has been extracted without material adjustment from the historical financial information set out in Part V (*Historical Financial Information relating to the Opus Group*) and the audited financial statements of Opus for the years ended 31 March 2014, 31 March 2015 and 31 March 2016.

16. Information incorporated by reference

Information from the following documents has been incorporated into this document by reference:

Documents containing information incorporated by reference	Paragraph of this document which refers to the document containing information incorporated by reference	Where the information can be accessed by Shareholders
Drax's 2013 Annual Report and Accounts	Part VI, paragraph 13	www.drax.com
Drax's 2014 Annual Report and Accounts	Part VI, paragraph 13	www.drax.com
Drax's 2015 Annual Report and Accounts	Part I, paragraph 2; and Part VI, paragraph 5, 13, 15	www.drax.com

A copy of each of the documents listed above is available for inspection in accordance with paragraph 17 below.

17. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Drax at 41 Moorgate, 3rd Floor, London EC2R 6PP, United Kingdom and Slaughter and May at One Bunhill Row, London EC1Y 8YY, United Kingdom during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the General Meeting, and at the place of the General Meeting from 15 minutes prior to its commencement until its conclusion:

- (i) the articles of association of Drax;
- (ii) the articles of association of Opus;
- (iii) Drax's 2013 Annual Report and Accounts;
- (iv) Drax's 2014 Annual Report and Accounts;
- (v) Drax's 2015 Annual Report and Accounts;
- (vi) the report of KPMG LLP set out in Part V (*Historical Financial Information relating to the Opus Group*);
- (vii) the report of Deloitte LLP set out in Part VI (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*);
- (viii) the Acquisition Agreement;
- (ix) the consent letters of J.P. Morgan Cazenove, Deloitte LLP and KPMG LLP referred to in paragraph 11 above;
- (x) this document; and
- (xi) the Drax announcement dated 6 December 2016 in relation to the proposed Acquisition of Opus and the acquisition of OCGT development projects and strategy and trading update.

18 January 2017

PART VIII DEFINITIONS

The following terms have the following meanings in this document:

“Acquisition”	means the proposed acquisition of Opus pursuant to the Acquisition Agreement;
“Acquisition Agreement”	means the agreement dated 6 December 2016, between Drax Developments, DGHL and the Sellers in relation to the Acquisition;
“Acquisition Facility”	means the £375 million committed acquisition facility under the Acquisition Facility Agreement;
“Acquisition Facility Agreement”	means the acquisition bridge facility agreement dated 17 January 2017 between Drax Developments, as borrower, Drax as parent, J.P. Morgan and Barclays Bank plc as arrangers and original lenders and Barclays Bank plc as facility agent and security agent;
“AMR”	means Advanced Meter;
“B2B”	means business to business;
“Black Start Services”	has the meaning given to it in paragraph 7.1(C) of Part VII (<i>Additional Information</i>);
“Board”	means the board of directors of Drax;
“Capacity Market”	means the Government initiative established (as part of the electricity market reform policy) to ensure that sufficient reliable capacity is available by providing payments to encourage investment in new capacity or for existing capacity to remain open;
“CfD”	means contract for difference;
“Chargors”	has the meaning given to it in paragraph 7.2(C) of Part VII (<i>Additional Information</i>);
“Circular”	means this document;
“CMA”	means the UK Competitions and Markets Authority;
“Companies Acts”	has the meaning given in section 2 of the Companies Act 2006;
“Company”	means Drax;
“Completion”	means the completion of the purchase of the Opus Shares pursuant to the Acquisition Agreement;
“Contracts for Difference”	means a mechanism to support investment in low-carbon electricity generation. The CfD works by stabilising revenues for generators at a fixed price level known as the “strike price”. Generators will receive revenue from selling their electricity into the market as usual. However, when the market reference price is below the strike price they will also receive a top-up payment from suppliers for the additional amount. Conversely, if the reference price is above the strike price, the generator must pay back the difference;

“Council”	means Northamptonshire County Council;
“CREST”	means the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with Uncertificated Securities Regulations 2001 (SI 2001/3755);
“CREST Manual”	means the manual, as amended from time to time, produced by CRESTCo describing the CREST system and supplied by CRESTCo Limited to users and participants thereof;
“CREST Proxy Instructions”	means the instruction whereby CREST members send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote;
“Director Loan”	has the meaning given to it in paragraph 7.2(D) of Part VII (<i>Additional Information</i>);
“Directors”	means the directors of Drax;
“Disclosure and Transparency Rules”	means the Disclosure Guidance and Transparency Rules made by the FCA pursuant to FSMA;
“DGHL”	means Drax Group Holdings Limited, a private limited company incorporated in England and Wales with registered number 9887429 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Drax”	means Drax Group plc, a public limited company incorporated in England and Wales with registered number 5562053 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Drax Developments”	means Drax Developments Limited, a private limited company incorporated in England and Wales with registered number 06657454 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Drax Finance”	means Drax Finance Limited, a private limited company incorporated in England and Wales with registered number 05562058 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Drax Group”	means Drax and its subsidiary undertakings from time to time;
“Drax Power”	means Drax Power Limited, a private limited company incorporated in England and Wales with registered number 04883589 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Drax Secured Group”	means Drax Finance and its subsidiaries (including Drax Power) which have granted security in connection with the Senior Finance Documents;
“Drax’s 2013 Annual Report and Accounts”	means the annual report and accounts prepared by Drax for the financial year ended 31 December 2013;
“Drax’s 2014 Annual Report and Accounts”	means the annual report and accounts prepared by Drax for the financial year ended 31 December 2014;

“Drax’s 2015 Annual Report and Accounts”	means the annual report and accounts prepared by Drax for the financial year ended 31 December 2015;
“EBIT”	means profit before interest and tax;
“EBITDA”	means profit before interest, tax, depreciation and amortisation and unrealised gains and losses on derivative contracts;
“Enlarged Group”	means the Drax Group including the Opus Group after the Acquisition;
“FCA”	means the Financial Conduct Authority of the United Kingdom;
“Feed-In-Tariff”	means the government programme designed to promote the uptake of small-scale renewable and low-carbon electricity generation technologies;
“FEL”	means Farmoor Energy Limited, a private limited company incorporated in England and Wales with registered number 07111074 and with its registered office at Lambourne House, 311-321 Banbury Road, Oxford OX2 7JH;
“Floating Rate Notes”	means the £30,000,000 senior secured notes issued pursuant to and in accordance with (and as defined under) the FRN NPA;
“Form of Direction”	means the form of direction accompanying this document (for Share Incentive Plan participants who have not elected to receive shareholder communications in electronic form) for use by Share Incentive Plan participants in connection with the General Meeting;
“Form of Proxy”	means the form of proxy accompanying this document (for those Shareholders who have not elected to receive shareholder communications in electronic form) for use by Shareholders in connection with the General Meeting;
“FRN NPA”	means the £30,000,000 note purchase agreement dated 8 May 2014 between, among others, M&G European Loan Fund Limited and Drax Finance as issuer, as amended and restated on 8 December 2015;
“FSMA”	means the Financial Services and Markets Act 2000, as amended;
“General Meeting”	means the general meeting of Drax convened by the notice that is set out at the end of this document to be held at The Grand Hotel & Spa, Station Rise, York YO1 6GD on 8 February 2017 at 10:00am or any reconvened meeting following any adjournment thereof;
“GIB Facility”	means the £100,000,000 committed sterling term facility under the GIB Facility Agreement;
“GIB Facility Agreement”	means the £100,000,000 facility agreement dated 20 December 2012 between, among others, Drax Finance as borrower, UK Green Investment Bank plc as original lender and UK Green Investment Bank plc as facility agent, as amended and restated on 8 December 2015;

“Global A&R Deed”	means the global amendment and restatement deed dated 8 December 2015 between the Drax entities named in Part 1 of Schedule 1 therein, The Lords Commissioners of Her Majesty’s Treasury, Deutsche Bank AG, London Branch as security agent and others;
“Grid Charges”	means charges such as transmission network use of system charges (TNUoS), balancing services use of system charges (BSUoS) and distribution use of system charges (DUoS);
“Group”	means Drax and its subsidiaries and subsidiary undertakings;
“Guarantee and Reimbursement Agreement”	has the meaning given to it in paragraph 7.1(H) of Part VII (<i>Additional Information</i>);
“Haven Power”	means Haven Power Limited, a private limited company incorporated in England and Wales with registered number 5893966 and with its registered office at Drax Power Station, Selby, North Yorkshire YO8 8PH;
“Haven Power MRTSA”	means the master receivables and transfer and servicing agreement between Haven Power as seller and servicer, Ester Finance Titrisation as purchaser, Crédit Agricole Corporate and Investment Bank as arranger and calculation agent, Eurotitrisation as the programme agent and Drax Power as parent;
“HMT”	means Her Majesty’s Treasury;
“IFRS”	means the International Financial Reporting Standards;
“I-UK Covenanted Agreement”	means the agreement dated 23 April 2013 between, among others, Drax Finance and The Lords Commissioners of Her Majesty’s Treasury, as amended and restated on 8 December 2015;
“I-UK Loan Notes”	has the meaning given to it in paragraph 7.1(H) of Part VII (<i>Additional Information</i>);
“I&C”	means industrial and commercial;
“Index-Linked NPA”	means the note purchase agreement dated 8 May 2014 between, among others, M&G Inflation Opportunities Fund and Drax Finance as issuer, as amended and restated on 8 December 2015;
“Index-Linked Rate Notes”	means the £70,000,000 senior secured notes issued pursuant to and in accordance with the Index-Linked NPA;
“Investment Contract”	means the investment contract dated 9 May 2014 between Drax Power and the Secretary of State for Energy and Climate Change in relation to Drax Power’s third coal-to-biomass unit conversion;
“IPM”	means IPM Energy Trading Limited, a private limited company incorporated in England and Wales with registered number 02462479 and with its registered office at Level 20, 25 Canada Square, London E14 5LQ;

“J.P. Morgan Cazenove”	means J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove);
“Latest Practicable Date”	means 13 January 2017, being the latest practicable date for the calculation and inclusion of information prior to the publication of this Circular
“Listing Rules”	means the Listing Rules made by the FCA pursuant to FSMA governing, inter alia, admission of securities to the Official List of the FCA;
“London Stock Exchange”	means the London Stock Exchange plc or any recognised investment exchange for the purposes of FMSA that may take over the functions of the London Stock Exchange plc;
“Long Stop Date”	means 15 March 2017;
“Low Carbon Contracts Company”	means the private limited company, wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS), which was created to deliver key elements of the government’s electricity market reform programme;
“Management Sellers”	means Charles Crossley Cooke, Frederick Esiri, Louise Boland, Timothy Boylan, Daniel Maitland, Steve James, Valpy Fitzgerald, Andrew Nash, Alex Sena, Andrew Dayus, Stephen Foster, Ian Stockbridge, Jasper van Rijn, Jennifer Sena, and Jacqueline Fellows;
“Material Adverse Event”	means: <ul style="list-style-type: none"> a) an event, fact, condition, occurrence, change or effect that, individually or in aggregate with other events, facts, conditions, occurrences, changes or effects is materially adverse to the business, results of operations or financial condition of the Opus Group taken as a whole, such that it causes a reduction in the net assets of the Opus Group as at the date of the Acquisition Agreement taken as a whole equal to or in excess of 33%, but excluding, without limitation: <ul style="list-style-type: none"> (i) the announcement of the execution of the Acquisition Agreement or steps leading up to Completion, including any threatened or actual impact on, or reduction or termination of, the Opus Group’s relationships with employees, customers, suppliers, distributors or landlords; (ii) compliance with the terms of, or taking any action required pursuant to, the Acquisition Agreement or not taking any action at the request of Drax Developments; (iii) any material adverse change in financial, banking, capital markets, economic, statutory, regulatory or general market conditions and any matter effected pursuant to and in accordance with any of the Agreed Documents (as defined in the Acquisition Agreement); and

(iv) any material changes generally affecting companies in the same industry in which the Opus Group conducts business,

except to the extent that the matters in (iii) to (iv) above impact the Opus Group in a manner which is materially disproportionate to the effect on other similar businesses that operate in the same industry as the Opus Group;

- b) a fine on any Group Company (as defined in the Acquisition Agreement) of over £5,000,000 being imposed by Ofgem or the Information Commissioner;
- c) the revocation of any licences granted under the Electricity Act 1989 or the Gas Act 1986 to any Group Company (as defined in the Acquisition Agreement) or a material adverse variation to the terms of any such licence provided that the loss or variation shall not be a Material Adverse Event where:
- (i) any other Group Company (as defined in the Acquisition Agreement) has the relevant licence and the Opus Group as a whole can continue to operate in substantially the same manner notwithstanding such loss or variation; or
 - (ii) the Opus Group is able to remedy such loss or variation by the earlier of: (a) 2 Business Days before proposed Completion; and (b) 20 Business Days of being notified of the loss/variation; or
 - (iii) in the case of a material adverse variation, such variation is also generally imposed on the equivalent licences held by other companies in the same industry in which the Opus Group conducts business; or
- d) any Insolvency Event (as defined in the Acquisition Agreement) taking place in respect of a Group Company (as defined in the Acquisition Agreement) (save for any Group Company which is dormant);

“NGET”	means National Grid Electricity Transmission plc;
“Notice”	means the notice of General Meeting at Part IX (<i>Notice of General Meeting</i>);
“OCGT”	means open cycle gas turbine;
“OEL”	means Opus Energy Limited, a private limited company incorporated in England and Wales with registered number 04382246 and with its registered office at Lambourne House, 311-321 Banbury Road, Oxford OX2 7JH;
“Opus”	means Opus Energy Group Limited, a private limited company incorporated in England and Wales with registered number 4409377 and with its registered office at Lambourne House, 311-321 Banbury Road, Oxford OX2 7JH;

“Opus Directors”	means Charles Crossley Cooke, Frederick Esiri and Louise Boland;
“Opus Group”	means Opus and its subsidiary undertakings from time to time;
“Ordinary Shares”	means ordinary shares of 11 ¹⁶ / ₂₉ pence each in the capital of the Company;
“Pru-M&G Facility”	has the meaning given to it in paragraph 7.1(F) of Part VII (<i>Additional Information</i>);
“Pru-M&G Facility Agreement”	means the £100,000,000 facility agreement dated 6 July 2012 between, among others, Drax Finance as borrower, Prudential/M&G UK Companies Financing Fund LP as original lender and M&G Investment Management Limited as facility agent, as amended and restated on 20 December 2012 and on 8 December 2015;
“Registrars”	means Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA;
“Renewables Obligation”	means the obligation on UK electricity suppliers to source an increasing proportion of the electricity they supply from renewable sources;
“Resolution”	means the ordinary resolution as set out in the Notice of General Meeting at the end of this document;
“Revolving Credit Facility Agreement” or “RCF Agreement”	means the £400,000,000 revolving credit facility agreement between, among others, Drax Power and Barclays Bank plc as facility agent originally dated 20 December 2012, as amended and restated on 8 December 2015;
“Revolving Facility”	means the £400,000,000 multicurrency revolving credit facility agreement under the RCF Agreement;
“ROCs”	means Renewables Obligation Certificates;
“ROC Monetisation Agreement”	has the meaning given to that term in paragraph 7.1(J) of Part VII (<i>Additional Information</i>);
“S&P”	means Standard & Poor’s Financial Services LLC;
“Secured Trading Line”	has the meaning given to that term in paragraph 7.1(I) of Part VII (<i>Additional Information</i>);
“Sellers”	means Telecom Plus plc; Engie Retail Investment UK Limited; Charles Crossley Cooke; Frederick Esiri; Louise Boland; Timothy Boylan; Daniel Maitland; Steve James; Valpy Fitzgerald; Andrew Nash; Alex Sena; Andrew Dayus; Stephen Foster; Ian Stockbridge; Jasper van Rijn; Jennifer Sena; Jacqueline Fellows; Frederick Esiri and Charles Crossley Cooke as legal owners on behalf of Venrex I, LLP; Charles Crossley Cooke and Frederick Esiri as legal owners on behalf of John Hewett; and Ian Hemming;
“Senior Finance Documents”	means: <ul style="list-style-type: none"> (a) the RCF Agreement; (b) the Pru-M&G Facility Agreement;

- (c) the GIB Facility;
- (d) the FRN NPA and the Floating Rate Notes;
- (e) the Index-Linked NPA and the Index-Linked Notes; and
- (f) the I-UK Covenanted Agreement;

“Shareholders”	means holders of Ordinary Shares;
“Share Incentive Plan”	means the Drax Group Approved Share Incentive Plan;
“Smart Meters”	means the new generation of gas and electricity meters being rolled out across Great Britain. Smart Meters show how much energy a customer is using, in near real time, and will bring an end to estimated bills;
“SME”	means small and medium enterprise;
“Statkraft”	means Statkraft Markets GmbH, a Gesellschaft mit beschränkter Haftung incorporated in Germany with Commercial Registry number HRB 37885 (AG Düsseldorf) whose registered office is at Derendorfer Allee 2a, 40476 Düsseldorf, Germany;
“STL Counterparties”	has the meaning given to it in paragraph 7.1(l) of Part VII (<i>Additional Information</i>);
“subsidiary” and “subsidiary undertaking”	have the meanings given to them in sections 1159 and 1162 (respectively) of the Companies Act 2006;
“Third Party Charges”	means charges to which the Drax Group and the Opus Group are subject to, which are outside of their control, in relation to the supply of electricity to customers, which include, but are not limited to, Grid Charges together with charges arising from the Renewables Obligation on electricity suppliers, the small scale Feed-In-Tariff, and charges administered by the Low Carbon Contracts Company and the Electricity Settlements Company for the costs of Contracts for Difference and the Capacity Market respectively;
“TPIs”	means third party intermediaries;
“UK Guarantee”	has the meaning given to it in paragraph 7.1(H) of Part VII (<i>Additional Information</i>);
“Unit 1”	means Drax’s third coal-to-biomass unit conversion;
“Warranty and Indemnity Insurance Policy”	means the warranty and indemnity insurance policy entered into by Drax Developments with Ambridge Europe Limited (on behalf of various insurers) on 8 December 2016 in respect of the Acquisition;
“999 Year Lease”	means the sale agreement dated 31 May 2016 between OEL and the Council to purchase the 999-year leasehold interest in John Dryden House.

**PART IX
NOTICE OF GENERAL MEETING**

Drax Group plc

(Registered in England and Wales with registered number 5562053)

NOTICE IS HEREBY GIVEN that a General Meeting of Drax Group plc (the “**Company**”) will be held at the The Grand Hotel & Spa, Station Rise, York YO1 6GD on 8 February 2017 at 10:00am to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

Ordinary Resolution

THAT

the acquisition of all of the shares in Opus Energy Group Limited (the “**Acquisition**”), as described in the circular to shareholders dated 18 January 2017 of which this Notice forms part (the “**Circular**”) on the terms and subject to the conditions set out in the Circular with such modifications (if any) as may be made to them in the manner specified below is hereby approved for the purposes of chapter 10 of the Listing Rules of the Financial Conduct Authority and the Board of Directors of the Company be and is hereby authorised to conclude and implement the Acquisition in accordance with such terms and conditions and to make non-material modifications to and non-material variations, waivers and extensions of any of the terms of the Acquisition and of any documents and arrangements connected with the Acquisition.

By order of the Board

David McCallum
General Counsel and Company Secretary
Drax Group plc

18 January 2017

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B Companies Act 2006 (“CA 2006”), the Company specifies that only those shareholders registered on the register of members of the Company (“Register”) at 6.30pm on the day two business days before the date of the meeting (the “Specified Time”) (or if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 6.30pm on the day which is two business days prior to the time of the adjourned meeting) shall be entitled to attend and vote thereat in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the Register after the relevant deadline shall be disregarded in determining rights to attend and vote.
2. If you have sold or transferred all your shares, this document and any accompanying documents (but not the personalised Form of Proxy or Form of Direction) should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.
3. If you are a member of the Company, at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. Completion and return of a Form of Proxy will not prevent a member from attending in person and voting at the meeting. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact the Company’s registrars, Equiniti Limited (“Company’s Registrars”), at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by using their telephone helpline service on 0371 384 2030 from within the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK.

4. A proxy does not need to be a shareholder of the Company but must attend the meeting for the member’s vote to be counted. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person (or persons) as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. Appointing a proxy does not preclude you from attending the meeting and voting in person.
5. You can only appoint a proxy using the procedures set out in these notes and the notes on the Form of Proxy. A Form of Proxy is enclosed. To be effective, the Form of Proxy must be completed and signed and, together with the power of attorney or authority, if any, under which it is signed (or a duly certified copy of any such power or authority) must be lodged

with the Company's Registrars not later than 48 hours, excluding non-business days, before the time of the meeting or must be lodged using the CREST proxy voting services (see note 7 below). Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register in respect of the joint holding (the first-named being deemed the most senior).
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof utilising the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (Equiniti Limited CREST participant ID RA19) by the latest time(s) for receipt of proxy appointments specified in note 5 above. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings available at www.euroclear.com.

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If you either select the "discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
9. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
10. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in notes 3 to 9. Please read note 15 below.
11. Alternatively, members may register the appointment of a proxy for the meeting electronically by accessing the website www.sharevote.co.uk where full details of the procedure are given. This website is operated by the Company's Registrars.

The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by the Company's Registrars not less than 48 hours, excluding non-business days, before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. Please note that any electronic communication sent to the Company or to the Company's Registrars that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by the Company's Registrars' conditions of use set out on the Sharevote website, www.sharevote.co.uk, and may be read by logging on to that site. If you want to appoint more than one proxy electronically please contact the Company's Registrars on 0371 384 2030 from within the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK.

12. A copy of this Notice and other information required by section 311A CA 2006 can be found on the Company's website www.drax.com.
13. To change your proxy instructions, simply submit a new proxy appointment. You will need to request a new Form of Proxy from the Company's Registrars, Equiniti Limited, by contacting them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by using their telephone helpline service on 0371 384 2030 from within the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK. Note that the cut-off time for receipt of Forms of Proxy (see note 5 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded and you will be required to vote at the meeting, if you wish to change your vote.

14. If you submit more than one valid proxy appointment in respect of a single share, the appointment received last before the latest time for the receipt of proxies will take precedence.
15. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 CA 2006 (a "Nominated Person") should note that the provisions in this notice concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right, or does not wish to exercise it, he or she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting. If you are a person who has been nominated under section 146 CA 2006 to enjoy information rights:
- you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (a "Relevant Member") to be appointed or to have someone else appointed as a proxy for the meeting; and
 - if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
16. Voting on the Resolution to be put to the General Meeting will be by poll, rather than a show of hands, so that all shares voted are included, whether or not the shareholder is able to attend the meeting. The board of directors of the Company believes this to be the most democratic procedure for voting on resolutions as member votes will be counted according to the number of shares held.
- The results of the voting at the meeting and the number of proxy votes cast for and against and the number of votes actively abstained in respect of the Resolutions proposed at the meeting will be announced to the London Stock Exchange as soon as practicable following the meeting and also will be published on the Company's website www.drax.com.
17. As at 13 January 2017, being the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 406,700,321 ordinary shares of 11¹⁶/₂₉ pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is the same as the number of shares in issue. The Company does not hold any shares in treasury.
18. This notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 13 January 2017, being the latest practicable date prior to the publication of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available on the Company's website www.drax.com.
19. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that it does not do so in relation to the same shares.
20. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
- if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
 - if the answer has already been given on a website in the form of an answer to a question; or
 - if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. Any electronic address provided either in this notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
22. The doors of the General Meeting venue will open at 09:30am and the General Meeting will start promptly at 10:00am. Please bring the attendance card which is attached to the Form of Proxy with you if you attend the meeting. It will authenticate your right to attend, speak and vote and will speed up your admission to the meeting.
23. You may be asked to provide proof of identity, as well as your attendance card from your Form of Proxy. If you do not have your attendance card, you may be asked to provide two forms of identity (which may require photo identity and verification of your address). If you have been appointed as proxy for a shareholder entitled to vote, please let the admission staff know. You should bring proof of identity with you and you will be asked to confirm the details of the shareholder you are representing.
24. If you have any queries about voting or about your shareholding, you can contact Equiniti Limited, who maintain the Register as follows:
- by using their telephone helpline service;
 - from within the UK, on 0371 384 2030; or
 - from outside the UK, on +44 121 415 7047; or
 - by writing to them at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
 - the helpline for Share Incentive Plan participants is: UK 0371 384 2040, overseas +44 121 415 7161.

The telephone helpline service will be available between 8.30am and 5.30pm, Monday to Friday – excluding Bank Holidays.

The telephone helpline service will not be able to provide legal, financial or personal taxation advice. Calls may be recorded and randomly monitored for security and training purposes.

25. The Company considers it beneficial to its shareholders to hold the General Meeting as soon as possible in order to allow it to, assuming shareholders vote in favour of the Resolution, assume control of Opus Energy Group Limited and begin to integrate the two businesses and obtain the other benefits of ownership of Opus Energy Group Limited. In addition, completion of the Acquisition as soon as possible will minimise the additional payments required to be made by the Company to the sellers under the agreed “locked box” mechanism described in the Circular. As a result, the Company has not given 14 working days’ notice of the General Meeting as provided for in the guidance given by paragraph E.2.4 of the UK Corporate Governance Code. The Company is, however, fully compliant with the legal requirements of the CA 2006 and its articles of association, having given 14 days’ clear notice of the General Meeting.

