

Hazel O'Sullivan
Project Director
The Auditing Practices Board Limited
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27th January 2010

Dear Hazel

This letter sets out Drax Group's response to the consultation paper issued by the Auditing Practices Board ("APB") on audit firms providing non-audit services to listed companies that they audit.

We understand that the APB's principal concerns are that high levels of non-audit fees may impact auditor independence and quality.

We believe that the existing standards and guidelines in relation to non-audit services provided by auditors are sufficient to require the auditor to maintain appropriate independence, objectivity and integrity. Furthermore these standards and guidelines also give assurance as to the robustness and quality of audit work performed. Boards of directors and audit committees are now more conscious than ever of their fiduciary duties and responsibilities. This is certainly the case at Drax; but we have also found that the provision of selected non-audit services by our auditor (such as those that are required by law or other regulation and require a similar level of independence and objectivity as an audit) allows a range of skills and knowledge to be delivered whilst avoiding unnecessary duplication of cost and effort. Therefore it is our view that no further restrictions are necessary.

We acknowledge however that the existing disclosure requirements related to audit firms providing non-audit services could be improved. For example, an audit committee's policy for obtaining non-audit services from the auditor should always be disclosed, along with the committee's reasons for choosing the auditor for any such services provided.

We hope you find our response helpful in considering how to proceed with this matter. Please feel free to contact me should you wish to discuss it further.

With kind regards,

Yours sincerely

pp


Tony Quinlan
Finance Director

cc David Lindsell
Non-executive director and Chairman of the Audit Committee