

DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

Report and Financial Statements

31 December 2011

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DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

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DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 DECEMBER 2011

Board of directors	Dorothy Thompson Paul Taylor (appointed 9 December 2011) Tony Quinlan
Company Secretary	Philip White
Registered office	Drax Power Station Selby North Yorkshire YO8 8PH
Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ
Solicitors	Norton Rose 3 More London Riverside London SE1 2AQ

DRAX GCO LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements of the Company for the year ended 31 December 2011. The Company is entitled to, and has adopted, certain exceptions in relation to disclosure requirements regarding a business review under Section 417(1) of the Companies Act 2006.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was incorporated on 17 January 2006.

On 18 January 2006, the Company acquired the rights to receive future proceeds under Drax Group's claim against TXU Europe Group Plc and TXU Europe Energy Trading Limited, pursuant to company voluntary arrangements for those companies (the "Claim"). This created an unrealised capital contribution reserve of £68.5 million equivalent to the fair value of the Claim at that time.

Subsequent to acquiring these rights, the Company received distributions totaling £62.3 million under the Claim in the accounting period ended 31 December 2006 and a further distribution of £6.2 million in April 2007, leaving a nominal amount of £5 outstanding under the Claim.

No one-off transactions similar to those described above have occurred in the year ended 31 December 2011, and other than awaiting final receipt of the nominal outstanding amount under the TXU Claim, no further one-off transactions are expected by the Company, nor does the Company expect to commence a trade in the foreseeable future. The company continues to receive and pay interest on its intercompany debtors and creditors.

On 5 April 2011, the Drax Group plc group of companies reached an agreement with HMRC which resulted in the resolution of a legacy tax matter and the recognition of a £192,000 tax credit in the year, as detailed in note 5.

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

RESULTS

The Company's profit after tax for the year amounted to £222,000 (2010: £27,000). The directors do not recommend a dividend in respect of the year ended 31 December 2011 (2010: £nil).

DIRECTORS

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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

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

DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

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

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

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

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

By order of the directors



PHILIP WHITE
Company Secretary
26 September 2012

**DRAX GCO LIMITED
(LIMITED BY GUARANTEE)**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF DRAX GCO LIMITED

We have audited the financial statements of Drax Gco Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

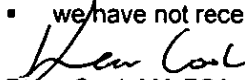
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report, or
- we have not received all the information and explanations we require for our audit.


Dean Cook MA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
26 September 2012

DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2011

	Note	Years ended 31 December	
		2011	2010
		£	£
OPERATING PROFIT	2	-	-
Interest receivable	3	40,789	39,737
Interest payable and similar charges	4	-	(2,241)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40,789	37,496
Tax on profit on ordinary activities			
- Before exceptional items	5	(10,809)	(10,499)
- Exceptional items	5	191,586	-
		180,777	(10,499)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		221,566	26,997

All results relate to continuing operations

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

The Company has no recognised gains or losses other than the results for the year as set out above and accordingly no statement of total recognised gains and losses has been prepared

The notes on pages 7 to 10 form part of these financial statements

DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

BALANCE SHEET

31 DECEMBER 2011

		As at 31 December	
	Note	2011	2010
		£	£
CURRENT ASSETS			
Debtors	6	1,020,657	990,367
		<u>1,020,657</u>	<u>990,367</u>
CREDITORS. Amounts falling due within one year	7	<u>(10,809)</u>	<u>(202,085)</u>
NET ASSETS		<u>1,009,848</u>	<u>788,282</u>
RESERVES			
Capital contribution	11	268,635	268,635
Profit and loss account	11	<u>741,213</u>	<u>519,647</u>
TOTAL MEMBER'S FUNDS	11	<u>1,009,848</u>	<u>788,282</u>

The financial statements of Drax Gco Limited, registered number 05677568 were approved by the Board of directors on 26 September 2012

Signed on behalf of the Board of directors



Tony Quinlan
 Director

The notes on pages 7 to 10 form part of these financial statements.

DRAX GCO LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the going concern basis (see page 2), under the historical cost convention, and in accordance with Companies Act 2006 and applicable United Kingdom accounting standards

The particular accounting policies adopted are described below and have been consistently applied during the year and during the previous year

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard ("FRS") 1 'Cash Flow Statements (Revised 1996)' from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its ultimate parent publishes a consolidated cash flow statement which includes the cash flows of the Company

Capital contributions

Capital contributions are recognised at the fair value of the amount contributed

Taxation

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

2 OPERATING PROFIT

The Company has no employees other than the directors, whose remuneration was borne by a subsidiary undertaking in the current and prior period. Auditor's remuneration for audit services to the Company (allocated as £500 in both periods) and Companies House fees were borne by another group undertaking

3 INTEREST RECEIVABLE

	Years ended 31 December	
	2011	2010
	£	£
Interest from group undertakings	<u>40,789</u>	<u>39,737</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Years ended 31 December	
	2011	2010
	£	£
Interest owed to group undertakings	<u>-</u>	<u>2,241</u>

DRAX GCO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2011

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax credit/charge in the period

	Years ended 31 December	
	2011	2010
	£	£
Current tax		
Corporation tax - current year	10,809	10,499
Tax on profit on ordinary activities before exceptional items	10,809	10,499
Exceptional Items		
Corporation tax - in respect of prior years	(191,586)	-
	(191,586)	-
Total tax (credit)/charge on profit on ordinary activities	(180,777)	10,499

Factors affecting current tax credit

The differences between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax in the UK of 26 50% (2010 28%), to the profit before tax is as follows

	Years ended 31 December	
	2011	2010
	£	£
Profit on ordinary activities before taxation	40,789	37,496
Profit on ordinary activities before tax multiplied by standard rate of tax of 26 50% (2010 28%)	10,809	10,499
Effect of		
Exceptional Items	(191,586)	-
Total current tax (credit)/charge	(180,777)	10,499

Exceptional Items

On 5 April 2011, the Drax Group plc group of companies reached an agreement with HMRC, resulting in the resolution of a legacy tax matter. Accordingly, we have recognised an exceptional tax credit of £192,000 in the profit and loss account.

6 DEBTORS

	As at 31 December	
	2011	2010
	£	£
Amounts falling due within one year		
Amounts due from other group undertakings	1,020,652	990,362
Right to receive TXU claim proceeds	5	5
	1,020,657	990,367

DRAX GCO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2011

6 DEBTORS (continued)

The right to receive TXU claim proceeds relates to amounts receivable under a claim against TXU Europe Group Plc and TXU Europe Energy Trading Limited, pursuant to company voluntary arrangements for those companies (the "Claim"). These rights were acquired on 18 January 2006 from another group company and amounted to £68.5 million, which comprised the Drax Group's original total claim against the TXU companies of £347.8 million, less those amounts previously received by other group companies totaling £279.3 million (all amounts exclude VAT).

Subsequent to acquiring these rights, the Company received distributions under the Claim in January and July 2006 totaling £62.3 million, and in April 2007 of £6.2 million, leaving a nominal amount of £5 outstanding under the Claim.

The amounts due from other group undertakings excluding group relief bear interest at a rate of LIBOR plus the margin payable on the group facilities (3.5% until 30 June 2011, 2% thereafter), payable on 30 June and 31 December each year. In the absence of payment on the due dates, interest is rolled over and capitalised. The full amount is repayable on demand.

7 CREDITORS: Amounts falling due within one year

	As at 31 December	
	2011	2010
	£	£
Corporation tax creditor	10,809	202,085
	10,809	202,085

8 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8 'Related Party Disclosures' not to disclose transactions with other wholly owned group companies.

9. CONTINGENT LIABILITY

The Company provides security and guarantees to Drax Finance Limited and Drax Power Limited, other group undertakings, which would crystallise in the event of Drax Finance Limited and/or Drax Power Limited defaulting on its outstanding bank borrowings. At 31 December 2011 the outstanding borrowings amounted to £10 million (2010: £135 million). These borrowings are also guaranteed and secured by other members of the Drax Group plc group. No liability is provided as the likelihood of the event of default is considered remote.

Similarly, the Company provides security and guarantees to Drax Power Limited which would crystallise in the event of Drax Power Limited defaulting on the terms of a Novation and Trading Agreement with Barclays Bank PLC. At 31 December 2011 the outstanding obligations amounted to £21 million (2010: £50 million). These obligations are also guaranteed and secured by other members of the Drax Group plc group. No liability is provided as the likelihood of the event of default is considered remote.

In addition, the Company provides security and guarantees to other group undertakings in respect of letters of credit issued under the Group's revolving credit facility. At 31 December 2011 letters of credit issued under the revolving credit facility amounted to £126.1 million (2010: £134.3 million). No liability is provided as the likelihood of the event of default is considered remote.

DRAX GCO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2011

10 LIABILITY OF MEMBER

The liability of the member is limited. The member of the Company undertakes to contribute as may be required (not exceeding £100) to the Company's assets if it should be wound up while it is a member or within one year after it ceases to be a member, for payment of the Company's debts and liabilities contracted before it ceases to be a member, and of the costs, charges, expenses of winding up, and for the adjustment of the rights of the contributories among themselves.

11 RECONCILIATION OF MEMBER'S FUNDS

			2011	2010
	Capital contribution reserve	Profit and loss account reserve	Total member's funds	Total member's funds
	£	£	£	£
At 1 January	268,635	519,647	788,282	761,285
Profit for the year	-	221,566	221,566	26,997
At 31 December	268,635	741,213	1,009,848	788,282

12 ULTIMATE PARENT COMPANY

The immediate parent company is Drax Finance Limited, a company incorporated in England and Wales.

The ultimate parent and controlling company is Drax Group plc, a publicly listed company incorporated in England and Wales. Drax Group plc is the smallest and largest group for which consolidated financial statements are prepared. Copies of the consolidated financial statements for Drax Group plc are available from Company Secretary, Drax Power Station, Selby, North Yorkshire YO8 8PH.