

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

Report and Financial Statements

31 December 2008

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

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

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

**OFFICERS AND PROFESSIONAL ADVISERS**

**The Board of Directors**

Dorothy Thompson  
Tony Quinlan (Appointed 1 September 2008)  
Gordon Boyd (Resigned 31 August 2008)

**Company Secretary**

Philip White

**Registered office**

Drax Power Station  
Selby  
North Yorkshire  
YO8 8PH

**Auditors**

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**

#### **YEAR ENDED 31 DECEMBER 2008**

The Directors present their report and the financial statements of the Company for the year ended 31 December 2008. 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 totalling £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. Other than awaiting final receipt of this amount, the Company does not expect to trade in the foreseeable future.

As noted above, the Company is non-trading and is not expected to trade in the foreseeable future. It has net assets of £5. Given the ongoing financial support of the Group, the directors continue to adopt the going concern basis when preparing these financial statements.

#### **RESULTS**

The company has not traded during the year and the Directors do not recommend a dividend in respect of the year (2007: £6,193,867).

#### **PROFIT AND LOSS ACCOUNT**

The Company did not trade during the year or during the preceding financial year. During these years, the Company received no income and incurred no expenditure and therefore made neither profit nor loss and hence no profit and loss account is presented.

#### **DIRECTORS**

The directors who served the Company during the year were as follows:

Dorothy Thompson

Tony Quinlan

Gordon Boyd

(Appointed 1 September 2008)

(Resigned 31 August 2008)

#### **DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial period. 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). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2008**

**AUDITORS AND THE DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing the report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information. This information is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Sections 485-488 of the Companies Act 2006.

By order of the directors

A handwritten signature in black ink, appearing to read 'Philip White', written over a horizontal line.

PHILIP WHITE  
Company Secretary

**23** October 2009

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DRAX GCO LIMITED**

We have audited the financial statements of Drax GCo Limited for the year ended 31 December 2008 which comprise the balance sheet and the related notes 1 to 9. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, UK

**27** October 2009

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

**BALANCE SHEET**

**YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
<b>CURRENT ASSETS</b>			
Other debtor	3	5	5
<b>TOTAL ASSETS</b>		<u>5</u>	<u>5</u>
<b>RESERVES</b>			
Profit and loss account	8	—	—
Capital contribution	8	5	5
<b>TOTAL MEMBER'S FUNDS</b>	8	<u>5</u>	<u>5</u>

The financial statements of Drax Gco Limited, registered number 05677568 were approved by the board of directors on 23 October 2009.

Signed on behalf of the board of directors:



Tony Quinlan  
 Director

The notes on pages 6 to 8 form part of these financial statements.

# **DRAX GCO LIMITED**

## **(LIMITED BY GUARANTEE)**

### **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

#### **1. ACCOUNTING POLICIES**

##### **Basis of accounting**

The financial statements have been prepared on the going concern basis as described further on page 2, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The particular accounting policies adopted are described below and have been consistently applied in the 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. PROFIT AND LOSS ACCOUNT**

The Company did not trade during the year or during the preceding financial year. During these years, the Company received no income and incurred no expenditure and therefore made neither profit nor loss and hence no profit and loss account is presented.

The Company has no employees other than the directors, whose remuneration was borne by a fellow subsidiary undertaking. Auditors' remuneration for audit services to the Company allocated as £500 (2007: £500) and Companies House fees were borne by another group undertaking.

#### **3. OTHER DEBTOR**

	2008 £	2007 £
Right to receive TXU claim proceeds	<u>5</u>	<u>5</u>

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 totalling £279.3 million (all amounts exclude VAT).

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



**DRAX GCO LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

**4. DIVIDENDS**

	Year to 31 Dec 08 £	Year to 31 Dec 07 £
<b>Amounts recognised as distributions to the member in the year</b>		
Total interim dividend paid in April 2007	-	6,193,867

Following receipt of the final distribution under the TXU Claim in April 2007, £6.2 million was transferred from the capital contribution reserve to the profit and loss reserve, and the Company paid an interim dividend in respect of the year ended 31 December 2007 of £6.2 million.

**5. 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 group companies.

**6. CONTINGENT LIABILITY**

The Company provides security and guarantees to Drax Finance Limited, another group undertaking, which would crystallise in the event of Drax Finance Limited defaulting on its outstanding bank borrowings. At 31 December 2008, the outstanding borrowings amounted to £370.0 million (2007: £405.0 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.

**7. 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 he is a member or within one year after he ceases to be a member, for payment of the Company's debts and liabilities contracted before he 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.

**8. RECONCILIATION OF MEMBER'S FUNDS**

	Capital contribution reserve £	Profit and loss account reserve £	2008 Total member's funds £	2007 Total member's funds £
At 1 January	5	-	5	6,193,872
Dividends paid (note 4)	-	-	-	(6,193,867)
At 31 December	5	-	5	5

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

**9. 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.