

Drax Generation Developments Limited

Report and Financial Statements

For the Year Ended

31 December 2019

Company Number 07821368

WEDNESDAY



A9ARL9CA

A15

05/08/2020

#258

COMPANIES HOUSE

Drax Generation Developments Limited

Report and financial statements for the year ended 31 December 2019

Contents

Page:

1	Directors' Report
3	Directors' Responsibilities Statement
4	Income Statement
5	Balance Sheet
6	Statement of Changes in Equity
7	Notes forming part of the Financial Statements

Directors

Andrew Koss (resigned 7 April 2020)
Will Gardiner
Andy Skelton (appointed 13 June 2019)

Company secretary

David McCallum (resigned 31 January 2019)
Brett Gladden (appointed 1 February 2019)

Registered office

Drax Power Station
Selby
North Yorkshire
YO8 8PH

Company number

07821368

Drax Generation Developments Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and the financial statements of Drax Generation Developments Limited ("the Company") for the year ended to 31 December 2019.

The Company is part of the Drax Group plc group of companies ("the Group").

Principal activities

The Company's principal activity is a development company, primarily supporting the development of the Group's Open Cycle Gas Turbine ("OCGT") entities.

Results and Dividends

The loss for the year, after taxation, amounted to £399,641 (2018 – £310,171).

The directors do not recommend a dividend in respect of the year ended 31 December 2019 (2018 - £Nil).

Principal risks and uncertainties

The Company has a comprehensive system of governance controls in place to mitigate risks. Policies, procedures and internal controls have been established across the key areas of the business to ensure that these risks are managed in a controlled manner and in accordance with the policies set by the Drax Group plc Board. Further details are included on pages 54-61 of the 2019 Annual Report of Drax Group plc, the particular risks most relevant to the Company are health and safety and plant operating risk.

Post balance sheet events and going concern

In assessing whether the Company remains a going concern, the directors considered the Company's activities and the financial position of the Company.

At 31 December 2019, the Company had net current liabilities of £1,274,126 (2018: £874,485). This is principally due to the £20,034,487 (2018: £14,920,105) payable to other Group undertakings.

The directors believe that the Capacity Market is an important cornerstone of UK energy policy, a cost-effective safeguard for security of supply and necessary to underpin the development of new generation projects.

The Capacity Market was reinstated in October 2019 and we are planning to participate in future Capacity Market auctions.

Subsequent to the balance sheet date, Covid-19 has spread globally causing worldwide disruption to businesses and economic activity. The World Health Organisation declared Covid-19 a pandemic on 11 March 2020.

Currently, where possible, the Group's employees are working from home. Social distancing measures are in place at the Group's operating sites for workers who continue to ensure the safe and reliable running of plant. Whilst the situation remains unpredictable and continues to evolve, the consequences of the pandemic are starting to become visible. The Group does not anticipate a material impact upon its operations or financial performance as a result of Covid-19 and the generating plants have continued to generate in line with expectations from pre Covid-19.

Drax Generation Developments Limited

Directors' Report (continued) for the year ended 31 December 2019

Post balance sheet events and going concern (continued)

The Company and the wider Drax Group have considered a wide range of potential scenarios and assessed the likely impact of each upon the Group's financial resilience, in terms of liquidity and debt covenants. Whilst significant uncertainty remains in relation to the extent and period over which these circumstances will continue and there remains a risk that the impact of COVID-19 could be greater than that modelled by the Group, in both plausible and extreme scenarios and after considering the availability of potential mitigating actions, the likelihood of headroom being exhausted was considered remote in each case. Taking this into account and noting the receipt of written confirmation of Group support, 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.

Directors

The directors who served during the year and subsequently were:

Andrew Koss (resigned 7 April 2020)
Will Gardiner
Andrew Skelton (appointed 13 June 2019)

Third party indemnity insurance

The Company has the appropriate indemnity insurance cover in place in respect of legal action against the directors of the Company.

Auditor

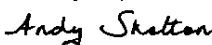
The auditor, Deloitte LLP, was not reappointed as auditor by virtue of the Company claiming exemption from audit under section 479A of the Companies Act 2006.

Small companies' note

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

The directors have taken advantage of the small companies' exemption, in accordance with section 414B of the Companies Act 2006, from including a separate Strategic Report in these financial statements.

This report was approved by order of the board on 23 July 2020 and signed on its behalf.

DocuSigned by:

7A22A7B8EFFB48D...

Andy Skelton
Director

Drax Generation Developments Limited

Directors' Responsibilities Statement for the year ended 31 December 2019

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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Drax Generation Developments Limited

Income Statement for the year ended 31 December 2019

	Note	2019 £	2018 £
Administrative expenses		(495,255)	(353,742)
Loss before tax	4	(495,255)	(353,742)
Tax on loss	6	95,614	43,571
Loss for the financial year		(399,641)	(310,171)

There was no other comprehensive income for the current or preceding financial year and thus no statement of comprehensive income is presented.

The notes on pages 7 to 13 form part of these financial statements.

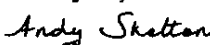
Drax Generation Developments Limited

Balance Sheet as at 31 December 2019

Company number 07821368	Note	2019 £	2018 £
Current assets			
Inventories	7	19,005,196	13,626,637
Trade and other receivables: amounts falling due within one year	8	469,659	1,271,657
Cash and cash equivalents		-	473,338
Current liabilities			
Trade and other payables: amounts falling due within one year	9	(20,748,981)	(16,246,117)
Net current (liabilities)		(1,274,126)	(874,485)
Net (liabilities)		(1,274,126)	(874,485)
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account		(1,274,127)	(874,486)
Deficit attributable to the owners of the parent company		(1,274,126)	(874,485)

For the year ending 31 December 2019, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 July 2020 by

DocuSigned by:

 7A22A7B8E9FB48D..

Andy Skelton
Director

The notes on pages 7 to 13 form part of these financial statements.

Drax Generation Developments Limited

Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	1	(564,315)	(564,314)
Comprehensive loss for the year			
Loss for the year	-	(310,171)	(310,171)
Total comprehensive loss for the year	1	(874,486)	(874,485)
At 31 December 2018	1	(874,486)	(874,485)
Comprehensive loss for the year			
Loss for the year	-	(399,641)	(399,641)
Total comprehensive loss for the year	1	(1,274,127)	(1,274,126)
At 31 December 2019	1	(1,274,127)	(1,274,126)

The notes on pages 7 to 13 form part of these financial statements.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019

1 General information

Drax Generation Developments Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page. The nature of the Company's operations and its principal activities are outlined in the Directors' Report.

2 Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Drax Group plc as at 31 December 2019 and these financial statements may be obtained from Drax Power Station, Selby, North Yorkshire, YO8 8PH.

2.2.1 Adoption of new accounting standards

A number of new and amended standards became effective for the first time in 2019, including IFRS 16 Leases. As the Company has no leases, this has not had an impact on the financial statements.

The Company will monitor emerging developments and interpretations of the new standards.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

2.3 Inventories

Inventory includes the costs incurred that are directly attributable to the development of the Group's OCGT entities capitalised as work in progress. Work in progress is valued at the lower of cost and net realisable value.

2.4 Trade and other receivables

Trade and other receivables are initially measured at transaction price and subsequently measured at amortised cost. A provision for impairment of trade receivables is measured at an amount equal to the lifetime expected credit loss.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.6 Trade and other payables

Trade and other payables represent amounts we owe to our suppliers (for trade purchases and ongoing costs), tax authorities and other creditors that are due to be paid in the ordinary course of business. We make accruals for amounts that will fall due for payment in the future as a result of our activities in the current year (e.g. costs we have incurred but for which we have not yet been invoiced).

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

2.7 Functional currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

2.8 Pensions

Defined contribution pension plan

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

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

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

2.9 Taxation

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

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

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

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

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

2.10 Share Capital

Called up share capital are classified as equity. Called up share capital represents the nominal value of the shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Profit and loss account

The profit and loss account represents cumulative profits and losses, net of any dividends and other adjustments.

2.12 Going concern

In assessing the appropriateness of the application of the going concern basis, the Directors have considered the working capital requirements of the business and the available forecasts.

As discussed in the Directors' report on page 1, the directors have reviewed the financial position of the Company and considered the impact of Covid-19 on the wider Drax Group. Noting the written confirmation of Group support, 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.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 *(continued)*

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The directors have made one significant judgement in preparing these financial statements, being the recovery of work-in-progress (WIP). This is dependent upon successfully obtaining capacity market contracts in future periods, and this is considered in the valuation. There are no key sources of estimation uncertainty.

4 Loss before tax

There was no audit fee for 2019 (2018 - £1,000) and Companies House fees were paid by another Group undertaking.

5 Employees

	2019 £	2018 £
Wages and salaries	305,585	80,235
Social security costs	50,074	11,830
Staff pension costs	41,289	18,714
	<hr/>	<hr/>
	396,948	110,779
	<hr/>	<hr/>

The Company has no employees. The directors received no remuneration in respect of their services to this Company in the current or prior year. Employee costs in the current year relate to recharges from other Group Companies in respect of the work undertaken on behalf of the Company.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 *(continued)*

6 Tax on loss

Tax credited in the profit and loss account

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Tax credit comprises:		
Current year credit	(94,098)	(65,615)
Adjustments in respect of prior periods	(1,516)	22,044
	<u>(95,614)</u>	<u>(43,571)</u>
	-	-
Total tax credit for the year	<u>(95,614)</u>	<u>(43,571)</u>

The tax on the loss (2018: loss) for the year is lower (2018: higher) than the standard rate of Corporation Tax in the UK of 19% (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss on ordinary activities before tax	(495,255)	(353,742)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(94,098)	(67,211)
Adjustments in respect of prior years	(1,516)	22,044
Expenses not deductible for tax purposes	-	1,596
	<u>(95,614)</u>	<u>(43,571)</u>
Total tax credit for the year	<u>(95,614)</u>	<u>(43,571)</u>

Factors that may affect future tax charges

The Finance Act 2015 included legislation to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. In addition, the Finance Act 2016 included legislation to reduce the rate of UK corporation tax to 17% from 1 April 2020. Subsequently, on 11 March 2020, the Chancellor announced that this corporate tax rate reduction to 17% will be cancelled and the main rate of corporate tax will remain at 19%.

There are no recognised or unrecognised deferred tax balances as at 31 December 2019.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

7 Inventories

	2019 £	2018 £
Work in progress	19,005,196	13,626,637

There have been no impairments in the year (2018 - £Nil).

8 Trade and other receivables: amounts falling due within one year

	2019 £	2018 £
Group relief debtor	139,185	45,147
Amounts owed by Group undertakings	219,980	491,371
Other receivables	39,699	586,267
Prepayments	70,795	70,795
Trade receivables	-	78,077
	<u>469,659</u>	<u>1,271,657</u>

The amounts owed by Group undertakings include short term trading balances which are unsecured, interest free and settled under normal payment terms.

The 2018 trade and other receivables balance has been presented under different categories in 2019 to more accurately reflect the nature of these transactions. There has been no other impact to the total of balances presented in this note.

9 Trade and other payables: amounts falling due within one year

	2019 £	2018 £
Amounts owed to Group undertakings	20,034,487	14,920,105
Accruals and deferred income	660,431	812,950
Trade payables	54,063	513,062
	<u>20,748,981</u>	<u>16,246,117</u>

The amounts owed to Group undertakings include short term trading balances which are unsecured, interest free and settled under normal payment terms.

Amounts owed to Group undertakings also includes other funds advanced to the Company and cash pool arrangements which accrue interest at a commercial rate. Cash pool balances are repayable on demand and interest is settled quarterly. Other funds advanced to the Company are settled according to the terms of the agreement or if shorter, the date demanded by the lender. If interest is not paid on the due date it is rolled over and capitalised.

Drax Generation Developments Limited

Notes forming part of the Financial Statements for the year ended 31 December 2019 *(continued)*

9 Trade and other payables: amounts falling due within one year *(continued)*

The 2018 trade and other payables balance has been presented under different categories in 2019 to more accurately reflect the nature of these transactions. There has been no other impact to the total of balances presented in this note.

10 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

11 Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with wholly owned entities within the group headed by Drax Group plc. There are no other transactions to disclose.

12 Ultimate parent undertaking and controlling party

The immediate parent company and controlling party is Drax Smart Generation Holdco Limited, a company incorporated in England and Wales.

The ultimate parent company is Drax Group plc, a publicly listed company incorporated in England and Wales. Drax Group plc is the smallest and largest group for which consolidated financial statements are prepared and the registered office is Drax Power Station, Selby, North Yorkshire YO8 8PH. Copies of the consolidated financial statements for Drax Group plc are available from: Company Secretary, Drax Power Station, Selby, North Yorkshire YO8 8PH, or on the Group's website at www.drax.com.