

## **Drax Fuel Supply Limited**

Report and Financial Statements

For the Year Ended

31 December 2019

Company Number 05299523

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# **Drax Fuel Supply Limited**

## **Report and financial statements for the year ended 31 December 2019**

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### **Directors**

Andrew Koss (resigned 7 April 2020)  
Brian Greensmith  
Andrew Skelton (appointed 13 June 2019)

### **Company secretary**

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

### **Registered office**

Drax Power Station  
Selby  
North Yorkshire  
YO8 8PH

### **Company number**

05299523

# **Drax Fuel Supply Limited**

## **Directors' report for the year ended 31 December 2019**

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### **Introduction**

The directors present their report and the financial statements for Drax Fuel Supply Limited (the "Company") for the year ended 31 December 2019.

### **Principal activity**

The Company has not traded since 2016 and at the balance sheet date holds no further coal inventory nor has it any further purchase or sale contracts in place. The Company continues to accrue interest income on the cash pooling balance held and incurs a charge to the income statement for the unwinding of deferred tax on a historic coal purchase agreement (see note 7 for further details).

### **Results and dividends**

The loss for the year amounted to £390k (2018 - £15,696k), and primarily arose due to rate differences between the main rate of corporation tax and the rate that deferred tax is recognised on the fair value of derivative contracts (see note 7).

The directors do not recommend the payment of a dividend in respect of the financial year (2018 - £Nil).

### **Principal risks and uncertainties**

The principal risk and uncertainty that may impact the financial performance of the Company is the recoverability of amounts owed by Group undertakings. Policies, procedures and internal controls have been established across the key areas of the business to ensure that risks are managed in a controlled manner and in accordance with the policies set by the Drax Group plc Board.

### **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.

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 Fuel Supply Limited**

### **Directors' report (continued) for the year ended 31 December 2019**

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#### **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 and net assets position at the balance sheet date, 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)  
Brian Greensmith  
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**

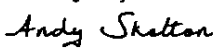
The auditor, Deloitte LLP, was not reappointed as auditor by virtue of the Company claiming exemption from audit under section 479A of the Companies Act 2006.

#### **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.

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**Andy Skelton**  
Director

## **Drax Fuel Supply Limited**

### **Directors' Responsibilities Statement for the year ended 31 December 2019**

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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 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.

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 Fuel Supply Limited

## Income Statement for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Interest receivable and similar income	6	218	174
<b>Profit before tax</b>		<b>218</b>	<b>174</b>
Tax charge on profit	7	(608)	(15,870)
<b>Loss for the financial year</b>		<b>(390)</b>	<b>(15,696)</b>

There was no other comprehensive income for the current or preceding financial year.

The notes on pages 7 to 12 form part of these financial statements.

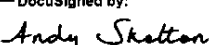
# Drax Fuel Supply Limited

## Balance sheet as at 31 December 2019

<b>Company number 05299523</b>	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Current assets</b>			
Trade and other receivables:			
- amounts falling due within one year	8	37,622	38,754
Cash & cash equivalents		-	583
<b>Current liabilities</b>			
Trade and other payables: amounts falling due within one year	9	(9,073)	(5,508)
<b>Net current assets</b>		<b>28,549</b>	<b>33,829</b>
<b>Total assets less current liabilities</b>		<b>28,549</b>	<b>33,829</b>
<b>Non-current liabilities</b>			
Deferred tax	10	(9,780)	(14,670)
<b>Net assets</b>		<b>18,769</b>	<b>19,159</b>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account		18,768	19,158
<b>Equity attributable to the owners of the parent company</b>		<b>18,769</b>	<b>19,159</b>

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.

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**Andy Skelton**  
Director

The notes on pages 7 to 12 form part of these financial statements.

## Drax Fuel Supply Limited

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

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	1	34,854	34,855
<b>Comprehensive income for the year</b>			
Loss for the year	-	(15,696)	(15,696)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	<b>1</b>	<b>19,158</b>	<b>19,159</b>
	<hr/>	<hr/>	<hr/>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(390)	(390)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2019</b>	<b>1</b>	<b>18,768</b>	<b>18,769</b>
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The notes on pages 7 to 12 form part of these financial statements.



# **Drax Fuel Supply Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2019**

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### **1 General information**

Drax Fuel Supply Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office can be found on the contents page and the nature of the Company's operations and its principal activities are set out 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), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 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
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

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.

#### **2.3 Interest income**

Interest income is recognised in the Income Statement using the effective interest method.

## **Drax Fuel Supply Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)**

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#### **2.4 Trade and other receivables**

Trade and other receivables are initially measured at the 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 is represented by cash in hand and deposits with banks. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **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). All financial information presented in pounds sterling has been rounded to the nearest thousand, except where otherwise indicated.

#### **2.8 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 balance sheet 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.

## Drax Fuel Supply Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

#### 2.9 Profit and loss account

The Company's capital and reserves are as follows:

##### Share capital

Called up share capital represents the nominal value of the shares issued.

##### Profit and loss account

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

#### 2.10 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.

### 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 judgement involving a higher degree of estimation uncertainty is set out below.

**Taxation** – in accounting for taxation the Company makes assumptions regarding the treatment of items of income and expenditure for tax purposes. The Company believes that these 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.

There are no other key sources of estimation uncertainty and no sources of significant judgement.

### 4 Loss before tax

The audit fee of £nil (2018 – £1,000) and Companies House fees were borne by another group undertaking.

### 5 Employees

The Company has no employees. The directors received no remuneration in respect of services to the Company in the current or prior year.

### 6 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	218	174

## Drax Fuel Supply Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

#### 7 Tax on profit

##### Tax charged in the profit and loss account

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
<b>Tax charge comprises:</b>		
Current year charge	5,506	5,499
Adjustments in respect of prior periods	(8)	(4,299)
	<u>5,498</u>	<u>1,200</u>
<b>Deferred Tax:</b>		
Origination and reversal of timing differences	(5,465)	(5,465)
Adjustments in respect of prior periods	-	19,561
Impact of tax rate change	575	574
	<u>(4,890)</u>	<u>14,670</u>
<b>Tax charge</b>	<u>608</u>	<u>15,870</u>

The tax on the profit (2018: profit) for the year is higher (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 £000	Year ended 31 December 2018 £000
Profit on ordinary activities before tax	218	174
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	<u>41</u>	<u>33</u>
Adjustments in respect of prior years	(8)	15,263
Impact of tax rate change	575	574
<b>Total tax charge for the year</b>	<u>608</u>	<u>15,870</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%.

To the extent they are recognised, the closing deferred tax balances are calculated at 17%, the rate which was substantively enacted at the balance sheet date. The deferred tax balances will be remeasured at 19% at the next reporting date, following substantive enactment on 17 March 2020.

## Drax Fuel Supply Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

#### 7 Tax on profit (continued)

Following the transfer of rights and obligations under a number of coal purchase agreements from a fellow group company in December 2011, the Company is liable to pay tax on the intrinsic fair value of these contracts. The contracts had a fair value of £288 million at the date of transfer, and the associated tax is payable over a 10-year period.

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

	2019 £000	2018 £000
<b>Due within one year:</b>		
Trade and other receivables	-	53
Amounts owed by group undertakings	37,622	38,701
	<u>37,622</u>	<u>38,754</u>

The amounts due from other group undertakings within one year includes short-term trading balances that are settled according to normal payment terms. The amounts due also include other funds provided that bear a commercial rate of interest which is rolled over and capitalised. The full amount is repayable on demand.

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

	2019 £000	2018 £000
Corporation tax	5,507	10
Amounts owed to group undertakings	3,566	5,498
	<u>9,073</u>	<u>5,508</u>

The amounts due to other group undertakings within one year includes short-term trading balances which are repayable on specific due dates. In the absence of payment on due dates, the balance bears a commercial rate of interest which is rolled over and capitalised. The full amount is repayable on demand.

#### 10 Deferred Taxation

	Total £000
At 1 January 2019	(14,670)
Charged to income statement	4,890
<b>Net tax liabilities at 31 December 2019</b>	<u>(9,780)</u>

The deferred tax balance relates wholly to financial instruments.

# Drax Fuel Supply Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 11 Called up share capital

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £1 each	1	1

### 12 Contingent liabilities

#### Guarantees

The Company provides security and guarantees to certain members of the Drax Group under these financing arrangements, which would crystallise in the event of the Drax Group companies defaulting on their outstanding borrowings:

- At 31 December 2019 the outstanding secured borrowings amounted to £1,267.5 million (2018: £622.4 million).
- At 31 December letters of credit issued under the revolving credit facility, held by Drax Corporate limited amounted to £77.0 million (2018: £31.8 million).

Guarantees and security have also been provided in respect of the above borrowings by certain members of the Drax Group.

The Company also provides security and guarantees in respect of Drax Power Limited's ( a Drax Group Company) obligations under certain secured trading lines for secured commodity trading and certain FX, inflation and interest rate hedging arrangements that form part of the Drax Group's senior financing arrangements and which would crystallise in the event of Drax Power Limited defaulting on the terms of these arrangements. As at 31 December 2019, this value was £32.7 million (2018: £11.9 million).

No liability is provided in respect of any of the above matters as the likelihood of an event of default is considered to be remote in each case.

### 13 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.

### 14 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](http://www.drax.com).