Drax Finco plc

Annual Report and Financial Statements

For the Year Ended

31 December 2025

Registered Number 10664639

Drax Finco plc

Annual Report and Financial Statements
for the year ended 31 December 2025

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Company Information

Officers and Professional Advisers

Directors

Will Gardiner
Daniel Brook
Frank Lemmink
Daniel Peacock

Secretary

Rebecca Dunn

Registered office

Drax Power Station,
Selby,
North Yorkshire,
YO8 8PH

Registered number

10664639

Independent auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Drax Finco plc

Strategic Report
for the year ended 31 December 2025

The Directors present their Strategic Report for Drax Finco plc (the "Company") for the year ended 31 December 2025.

Principal activities

The Company is a member of the Drax Group plc group of companies (the "Group"). The principal activity of the Company is to provide finance for the Group.

Business review

During the year the Company repaid the €143.8 million EUR fixed rate loan notes. As at the year end, the Company holds a loan note facility (bond) of €350 million, repayable in 2029 and traded on Euronext Dublin.

Other than the raising of loan note finance and onward lending with Drax Corporate Limited (another Group company), the Company has not carried out any other business or activities since incorporation.

At each period end foreign currency monetary items are translated into sterling using the closing rate. Sterling has depreciated against EUR therefore the GBP value of debt is higher.

Financial review

The profit for the year, after taxation, amounted to £1,105k (2024: £3,111k). A profit was made in the year as a result of interest receivable from Group undertakings being higher than interest payable on loan note facilities as balances receivable from Group undertakings were higher than the liability in respect of the loan note facilities.

At 31 December 2025, the Company has net assets of £37,083k (2024: £35,978k).

Summary of key performance indicators

The Board of Directors ("the Board") monitors the progress of the overall strategy and the individual strategic elements by reference to the non-financial indicators described below.

The Board monitors the Company in fulfilling its obligations under the terms of the bonds and their listing rules.

The Company's key financial performance indicators during the year were as follows:

	2025	**2024**
Borrowings (£000)	**306,474**	408,538
Intercompany receivables to external borrowings ratio (times)	**1.2**	1.1
Net exposure on interest rate risk (£)	–	–

Gross borrowings shows the total value of outstanding loan notes payable which were issued to finance the Group's activities.

The intercompany receivables to external borrowings ratio compares the value of amounts receivable from Group entities against the gross value of the outstanding loan notes payable. A ratio greater than 1.0 indicates that the loan proceeds receivable are sufficient to cover the amounts owed on the external borrowings.

The net exposure on interest rate risk measures the value of exposure to interest rate risk as a result of the external loan note borrowings. The exposure is limited by closely managing the lending terms and amounts that are lent onwards by the Company to Drax Corporate Limited. During the year the amounts were wholly lent onwards and the terms were matched to external borrowings giving a £nil interest rate risk exposure.

Principal risks and uncertainties

The principal risk facing the Company is the inability to meet its obligations in respect of issued loan notes.

Security arrangements, as described in note 13 to these financial statements, are in place to mitigate this risk.

Management of this risk is controlled by:
- Monitoring the operating surplus of the Group and how it has performed against its business plan;
- Regular review of factors that may impact operating surplus(es) and managing these risks accordingly;
- Ensuring that the Group has sufficiently diverse liquidity sources;
- Ensuring that the ratio of Group receivables to external borrowings remains above 1.0.

Further analysis of the key strategic risks faced by the Group and associated risk mitigation are provided in the Drax Group plc 2025 Annual report and accounts on page 44, available from the Group's website at www.drax.com.

Financial risk

Interest rate risk
The Company has limited exposure to interest rate risk. The Company has limited exposure to fluctuations in interest rates as both borrowings and lending of the Company are at fixed rates of interest, with the exception of cash pool balances which are at variable rates of interest. As part of the management of liquidity, funding and interest rate risk the Group regularly evaluates market conditions and may enter into transactions to repurchase outstanding debt, pursuant to open market purchases, tender offers or other means.

Liquidity risk
The Group Treasury function is responsible for liquidity, funding and settlement management under policies approved by the Group's Board of Directors. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments.

Foreign currency risk
The Company is exposed to fluctuations in foreign currency exchange rates on the future repayment of EUR fixed rate loan notes. Under the Bond Loan Proceeds Agreement, Drax Corporate Limited is committed to repay amounts equivalent to the value of the repayments of both the bonds whether denominated in GBP or foreign currency therefore no net risk to the Company exists.

Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely intercompany receivables.

Future developments

The factors affecting the future performance of the Group are set out in the Group's 2025 Annual report and accounts on pages 1 to 50. The principal activities of the Company are not expected to change for the foreseeable future from the date of approval of the financial statements.

Companies Act, Section 172 (1) statement

The Directors have a duty to promote the success of the Company, having regard to a range of matters and stakeholders. The Board is responsible for ensuring effective engagement with stakeholders: it recognises that decisions taken today can have an impact on stakeholders, as well as shape longer-term business performance. Appropriate consideration enables Drax to realise positive outcomes for the climate, nature and people, and deliver sustainable value creation.

Examples of how the Board have had regard to the matters set out in Section 172 are set out below. Comprehensive details in respect of stakeholders identified across the Drax Group plc group (the "Group"), how we engage with them and have regard to their interests can be found on pages 60 to 66 of the Drax Group plc Annual report and accounts 2025.

The likely consequences of any decision in the long term
Our purpose is to enable a zero carbon, lower cost energy future. With multi-year time horizons for many of our strategic and investment decisions, we recognise that these decisions can have an impact far beyond our business and well into the future. Our decisions support the Group's long-term strategy: to create value by investing in the UK energy transition.

The need to foster the Company's business relationships
Investors
We have an ongoing programme of investor relations meetings led by the Drax Group Investor Relations team. Engagement is typically via a roadshow format, either one-to-one or with small groups of investors so we can discuss our ambitions and understand their concerns and priorities.

Suppliers
Our relationships with suppliers are governed by contracts that require compliance with relevant regulatory and legal obligations including anti-bribery, corruption and modern slavery rules. We also expect suppliers to adhere to our supplier code of conduct. Drax is committed to the fair payment and treatment of its suppliers, to improve payment performance and maintain positive supplier relationships.

The desirability of the Company to maintain a reputation for high standards of business conduct
At Drax, we are committed to conducting business ethically, responsibly, and in compliance with all relevant laws and regulations. We do not tolerate bribery, corruption, human rights abuses, or any other unethical conduct and take positive steps to prevent this. For more information, see page 29 of the Drax Group plc Annual report and accounts 2025.

The need to act fairly as between members of the Company
Our ultimate parent company is Drax Group plc and therefore we act in the best interests of our immediate and ultimate parent companies and, in doing so, in the best interest of the investors and shareholders of the Group. This ensures that the interests of all relevant stakeholders, and the need to act fairly between members of the Company, are considered during decision-making.

This statement was approved by the board on 22 June 2026 as part of the Company's 2025 Annual Report and Financial Statements.

Signed by:

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Daniel Peacock
Director

Drax Finco plc

Directors' Report
for the year ended 31 December 2025

The Directors present their Annual Report and Audited Financial Statements of the Company for the year to 31 December 2025.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Will Gardiner
Andy Skelton (resigned 30 September 2025)
Daniel Brook
Frank Lemmink (appointed 30 September 2025)
Daniel Peacock (appointed 19 March 2026)

Dividends

The Directors do not recommend the payment of a final dividend for the current year (2024: £nil).

Going concern

The Directors have assessed the prospects of the Company over the 12-month period after the date that these financial statements were authorised for issue. The Directors have considered the forecast financial position of the Company, the Company's commitments and obligations, the Company's expected cashflows and other relevant financial forecasts. This assessment has considered the level of funding available to the Company, participation in the Group's cash pool arrangements and other forms of internal support, including a letter of support received from Drax Group Holdings Limited, and where applicable, credit metrics and the current and future economic climate. In their assessment, the Directors have considered the principal risks faced by the Company, including climate change.

At 31 December 2025, the Company had net current assets of £343,557k (2024: £325,527k). The Directors consider that the future cash outflows in respect of the loan notes are supported by cash inflows from the Group under the Bond Loan Proceeds Agreement. The Group is expected to have access to sufficient cash to cover the forecast cash outflows during the 12 months from the date of issue of these financial statements. Accordingly, and noting the written confirmation of Group support, the Directors continue to adopt the going concern basis in preparing the financial statements.

Matters covered in the Strategic Report

Details of the principal activities of the Company, the business review and future developments of the Company are disclosed in the Strategic Report on pages 1-4. Engaging with our stakeholders is fundamental to our success. We recognise that to achieve our purpose, we need to listen to, and work with, a diverse range of interested parties. For more information on our stakeholders, how we engage with them and have regard to their interests, please refer to the Strategic Report.

Details of the financial risks of the Company are disclosed in the Strategic Report on pages 2 and 3.

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. The qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

Carbon Emissions

The Company has taken the exemption from disclosing a Streamlined Energy and Carbon Report (SECR) required under part 7A to schedule 7 of SI 2008/410 of the Companies Act 2006 as the figures are included within the equivalent disclosure in the consolidated accounts of the ultimate parent company. The Group Carbon emissions report can be found on page 21 of the 2025 Annual report and accounts of Drax Group plc.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- 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 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. 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.

Disclosure of information to auditors

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Director has taken all steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Pursuant to section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to be reappointed and will therefore continue in office.

This report was approved by the board on 22 June 2026 and signed on its behalf.

Signed by:
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Daniel Peacock
Director

Independent auditors' report to the members of Drax Finco plc

Report on the audit of the financial statements

Opinion

In our opinion, Drax Finco plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Balance Sheet as at 31 December 2025;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- Our engagement was scoped to obtain coverage over all material financial statement line items of the Company.

Key audit matters

- Recoverability of amounts owed by Group undertakings

Materiality

- Overall materiality: £3,179,000 (2024: £4,201,000) based on 1% of Total Liabilities of £317,928,000.
- Performance materiality: £2,384,000 (2024: £3,150,750).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of amounts owed by Group undertakings At the reporting date amounts owed by group undertakings of £355.0m (2024: £456.2m) (see notes 9 & 10) are recognised. Management have performed an assessment of lifetime expected credit losses in relation to the asset recognised. Due to the size of the balances, relative to our audit materiality and the level of judgement involved in determining the recoverability of these receivables from other group entities, we have identified the recoverability of receivables due from other group entities as a key audit matter.	We assessed management's expected credit loss estimation by reviewing the recoverability assessment under IFRS 9, focusing on intercompany loans. We evaluated the financial position and trading performance of Drax Group Plc and its subsidiaries which are in net owing positions to the company. The ability to generate cash and/or the credit ratings of each individual counterparty have also been assessed . We challenged management's assumptions and we have concluded that management's assessment of expected credit loss with respect to amounts due from group undertakings was materially reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Audit procedures were performed over all material account balances and disclosures in the company's financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£3,179,000 (2024: £4,201,000).
How we determined it	1% of Total Liabilities of £317,928,000
Rationale for benchmark applied	Total liabilities is considered the most appropriate benchmark as the Company's principal activity is to raise finance through debt on behalf of other entities within the wider Drax Group plc group of companies.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £2,384,000 (2024: £3,150,750) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Directors that we would report to them misstatements identified during our audit above £160,000 (2024: £210,050) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the letter of support that has been received from another group entity, Drax Group Holdings Limited, as well as evaluating its ability to provide appropriate financial support to the Company for a period of at least 12 months from the date of signing the financial statements;
- Obtaining management's assessment and related cash flow and covenant forecast model for the group that support their conclusions with respect to the going concern basis of preparation of the financial statements;
- Assessing the integrity and testing the mathematical accuracy of management's forecast model;
- Evaluating the historical accuracy of the budgeting process to assess the reliability of forecasts;
- Evaluating management's analysis of both liquidity and covenant compliance to ensure that no breaches in covenants are anticipated over the assessment period, to confirm that the Company maintains sufficient liquidity headroom, and testing the calculation of covenant forecasts to confirm these are accurate; and
- Reading the disclosures made in respect of going concern included in the financial statements to ensure that these are consistent with management's going concern assessment and the findings from our going concern procedures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and tax legislation in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the overstatement of Adjusted EBITDA through posting manual journal entries to manipulate financial performance, or the exercise of management bias in material accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Reviewed board minutes and internal audit reports throughout the year and subsequent to the year end, up to the date of our audit opinion;

- Discussions with management, including Drax Group Plc General Counsel and Group Regulation and Compliance Director, to understand and evaluate known or suspected instances of non-compliance with laws and regulations or fraud;
- Identifying and testing unusual journal entries which could represent a heightened risk of manipulation of the financial performance;
- Challenging assumptions and judgements made by management in the material accounting estimates to ensure that these are appropriate and do not indicate any evidence of management bias; and
- Reviewing financial statement disclosures and testing these to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2024. Our uninterrupted engagement covers 2 financial years.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
24 June 2026

Drax Finco plc

Income Statement
for the year ended 31 December 2025

	Notes	2025 £'000	2024 £'000
Interest receivable and similar income	6	**23,533**	28,868
Interest payable and similar charges	7	**(21,461)**	(26,662)
Foreign exchange (losses)/gains		**(598)**	217
Other finance income		**-**	1,724
Operating profit before tax		**1,474**	4,147
Tax on profit	8	**(369)**	(1,036)
Profit for the financial year		**1,105**	3,111

There was no other comprehensive income or expense in the current or prior year and therefore no Statement of Comprehensive Income is presented.

The notes on pages 18 to 27 form part of these financial statements.

Drax Finco plc

Balance Sheet
as at 31 December 2025

	Notes	2025 £'000	2024 restated £'000
Current assets			
Trade and other receivables falling due within one year	9	**355,011**	456,172
Creditors – amounts falling due within one year	10	**(11,454)**	(130,645)
Net current assets		**343,557**	325,527
Total assets less current liabilities		**343,557**	325,527
Creditors – amounts falling due after more than one year	11	**(306,474)**	(289,549)
Net assets		**37,083**	35,978
Equity			
Called up share capital	12	**30,050**	30,050
Retained earnings		**7,033**	5,928
Total shareholders' funds		**37,083**	35,978

The prior year classification of an intercompany term loan has been restated in line with the repayment terms in the agreement. See note 9.

The financial statements on pages 15 to 27 were approved by the Board of Directors and authorised for issue on 22 June 2026.

Signed by:

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Daniel Peacock
Director

Registered number 10664639

The notes on pages 18 to 27 form part of these financial statements.

Drax Finco plc

Statement of Changes in Equity
for the year ended 31 December 2025

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2024	30,050	2,817	32,867
Profit and total comprehensive income for the year	-	3,111	3,111
At 31 December 2024	**30,050**	**5,928**	**35,978**
Profit and total comprehensive income for the year	**-**	**1,105**	**1,105**
At 31 December 2025	**30,050**	**7,033**	**37,083**

The notes on pages 18 to 27 form part of these financial statements.

1 General information

Drax Finco plc is a public company, limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office can be found on the Company information page and the nature of the Company's principal activities are set out in the Strategic Report on page 1.

2 Accounting policies

Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of Drax Finco plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

As noted in the Directors' Report on page 5, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Financial Reporting Standard 101 – reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payments
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    - paragraph 79 (a)(iv) of IAS1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 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 88C and 88D of IAS 12 Income Taxes
- 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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

This information is included in the Annual report and accounts of Drax Group plc for the year ended 31 December 2025 and these financial statements may be obtained from Drax Power Station, Selby, North Yorkshire YO8 8PH, or on the Group's website at www.drax.com.

2 Accounting policies *(continued)*

Going concern

As discussed in the Directors' Report on page 5, the Directors have assessed the prospects of the Company over the 12-month period after the date that these financial statements were authorised for issue. The Directors have considered the forecast financial position of the Company, the Company's commitments and obligations, the Company's expected cashflows and other relevant financial forecasts. This assessment has considered the level of funding available to the Company, including participation in the Group's cash pool arrangements and other forms of internal support, including a letter of support received from Drax Group Holdings Limited, and where applicable, credit metrics and the current and future economic climate and considered suitable severe but plausible downside scenarios, and climate change. In their assessment, the Directors have considered the principal risks faced by the Company.

Adoption of new and revised accounting standards

The following amendments became effective for the first time in 2025. The Company adopted the following from 1 January 2025:

- IAS 21 (amended) – Lack of Exchangeability – effective from 1 January 2025

The adoption of this amendment in the current year has not had a material impact on the financial statements of the Company.

At the date of approval of this report, the following new or amended standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 10 (amended) – Consolidated Financial Statements – effective date deferred indefinitely*
- IAS 28 (amended) – Investments in Associates and Joint Ventures (2011) – effective date deferred indefinitely*
- IFRS 9 (amended) and IFRS 7 (amended) – Amendments to the Classification and Measurement of Financial Instruments – effective from 1 January 2026
- IFRS Accounting Standards – Annual Improvements to IFRS Accounting Standards – Volume 11 – effective from 1 January 2026
- IFRS 9 (amended) and IFRS 7 (amended) – Contracts Referencing Nature-dependent Electricity – effective from 1 January 2026
- IFRS 18 – Presentation and Disclosure in Financial Statements – effective from 1 January 2027
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures – effective from 1 January 2027*

* Pending endorsement by the UK Endorsement Board (UKEB).

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements, which is expected to be effective for periods commencing on or after 1 January 2027. This was endorsed by the UK Endorsement Board on 12 December 2025. The standard will replace IAS 1 Presentation of Financial Statements. Whilst IFRS 18 will not directly impact recognition or measurement, it will impact how amounts are presented, with the principal changes being:

- Categorisation of all income and expenditure into three newly defined categories: Operating, Investing and Financing
- Introduction of two newly defined subtotals to be presented within the income statement: Operating profit and Profit before financing and income taxes
- New disclosure requirement for Management Performance Measures (MPMs)
- New requirements regarding the aggregation and disaggregation of information to be presented in the financial statements.

2 Accounting policies *(continued)*

Adoption of new accounting standards *(continued)*

The Company is currently considering the impact of applying IFRS 18, prior to adoption. From the transition work completed so far, the Company expects the main impact to be in relation to the presentation of the Company's income statement, as the Company determines the most appropriate categorisations and breakdowns of income and expense items to present. This will likely result in new income statement categories, different disaggregation of certain types of income and expenses, and will result in different subtotals being presented to those used currently. Apart from the impacts described above, the new requirements are not expected to significantly impact any other primary statements or related disclosures.

Adoption of these new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the financial statements of the Company. The Company will continue to monitor the developments of these new or amended standards as and when they are endorsed for use in the United Kingdom.

Interest receivable and similar income

Interest receivable is recognised in the income statement using the effective interest method.

Interest payable and similar charges

Interest payable is charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument and amortised within the effective interest charge.

Trade and other receivables

Trade and other receivables, including amounts owed by Group undertakings, are initially measured at fair value, being the transaction price, and subsequently at amortised cost less impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. A provision for impairment of trade receivables is measured at an amount equal to the lifetime expected credit loss.

Financial assets are classified into the following specific categories under IFRS 9: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

Applying the business model and solely payments of principal and interest (SPPI) test, the loans receivable are classified at amortised cost as the assets are held to collect contractual cashflows which are made up solely of payments of principal and interest. The trade and other receivables require payment only of fixed amounts on fixed dates.

Trade and other payables

Trade and other payables represent amounts owed to tax authorities and other payables that are due to be paid in the ordinary course of business. Accruals are made for amounts that will fall due for payment in the future as a result of the Company's activities.

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

2 Accounting policies *(continued)*

Borrowings and loan receivables

The Company measures all debt instruments (whether financial assets or financial liabilities) initially at fair value, which equates to the principal value of the consideration paid or received. Subsequent to initial measurement, debt instruments are measured at amortised cost using the effective interest method.

Transaction costs (any such costs incremental and directly attributable to the issue of the financial instrument) are presented on the balance sheet within borrowings. These costs are deducted from the initial amount recognised on the external debt instrument and are included in the calculation of the effective interest rate. Subsequently they are expensed as part of the interest charge under the effective interest method over the life of the instrument.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Where this is the case, the fee is deferred until the draw-down occurs.

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.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Taxation

Tax is recognised in the income statement, unless the charge is attributable to an item of income or expense recognised as other comprehensive income or an item that is recognised directly in equity, then the associated tax is 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 that have not been 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.

2 Accounting policies *(continued)*

Taxation *(continued)*

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 balance sheet date.

Reserves

The Company has the following reserves within equity:

Share capital: The called-up share capital reserve represents the nominal value of the shares issued.

Retained earnings: Retained earnings represents the cumulative profits and losses, net of any dividends paid and other adjustments.

3 Critical judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. Management has concluded that there are no significant judgements or sources of estimation uncertainty as defined by IAS 1 within these financial statements.

4 Operating profit

The audit fee of £78,000 (2024: £75,000) and Companies House fees were borne by another Group undertaking. There were no non-audit fees payable to the auditors in the current or prior year.

5 Employees

The Company has no employees other than the Directors. The remuneration of the Directors of the Company is as follows:

	2025	2024
	£'000	£'000
Directors' emoluments	**3,071**	2,777
Pension costs	**141**	133
Aggregate amounts receivable under long-term incentive schemes	**1,368**	2,006
	4,580	4,916

The remuneration of the Directors is paid by another Group company and recharged to the company as part of a management charge. The management charge includes other operating costs borne by a fellow subsidiary on behalf of the company and it is not possible to identify separately the Directors remuneration of this company.

5 Employees *(continued)*

The comparative Director's remuneration note has been represented to disclose total remuneration for Directors of the entity where previously only remuneration borne by the entity has been presented. This change is to enhance clarity only and does not affect any previously reported results.

The highest paid Director received aggregate emoluments and amounts receivable under long-term incentive schemes of £2.7 million (2024: £2.9 million) including retirement benefits under money purchase schemes of £0.1 million (2024: £0.1 million).

One director was appointed after the reporting date and as a result, the remuneration of this director has not been reflected in the table above.

One director received £0.2 million regarding payments for loss of office. For more information see page 110 in the Drax Group plc Annual report and accounts 2025.

6 Interest receivable and similar income

	2025	2024
	£'000	£'000
Interest receivable from Group undertakings	**23,533**	28,868
	23,533	28,868

7 Interest payable and similar charges

	2025	2024
	£'000	£'000
Interest payable on loan notes	**21,461**	26,662
	21,461	26,662

8 Tax on profit

	2025	2024
	£'000	£'000
Corporation tax		
Current tax charge for the year	**369**	1,036
Total tax charge	**369**	1,036

8 Tax on profit *(continued)*

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2024: the same as) the standard rate of corporation tax in the UK of 25% (2024: 25%).

	2025 £'000	2024 £'000
Profit before tax	**1,474**	4,147
Profit before tax multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	**369**	1,036
Total tax charge	**369**	1,036

The Company is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which the entity is incorporated, on 11 July 2023. It should be applied for accounting period beginning on or after 1 January 2024. The Company applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the legislation, the Company is not liable to pay a top-up tax in the UK.

9 Trade and other receivables falling due within one year

	2025 £'000	2024 restated £'000
Amounts owed by Group undertakings	**355,011**	456,172

The amounts due from other Group undertakings comprises £309,085k (2024: £412,673k) that relates to the Bond Proceeds Loan Agreement. Euro issued loan notes are contractually repayable in April 2029 (2024:£123,101 repayable in November 2025 and £289,572 repayable in April 2029), however they are repayable on demand and therefore classified as due within one year. The terms of the loan mirror those of the external loan notes as shown in note 11, with the exception that the external loan notes are not repayable on demand.

Also included in the above is other funds advanced by the Company and cash pool arrangements of £45,926k (2024: £43,499k) which accrue interest at a commercial rate. Cash pool balances are repayable on demand and interest is settled quarterly.

The expected credit loss provision calculated on amounts due from other Group companies was negligible in the current and prior year due to the high credit quality of the counterparties and the short time until its expected receipt. As a result no provision has been recognised.

9 Trade and other receivables falling due within one year (continued)

The prior year classification of an intercompany term loan has been restated. This is in line with the repayment terms in the agreement which state that the loan is repayable on demand.

	2024 Previously reported £'000	2024 Restatement £'000	2024 Restated £'000
Trade and other receivables falling due within one year: Amounts owed by Group undertakings	-	289,572	289,572
Trade and other receivables falling due after more than one year: Amounts owed by Group undertakings	289,572	(289,572)	-

10 Creditors - amounts falling due within one year

	2025 £'000	2024 £'000
Amounts owed to Group undertakings	**11,454**	11,135
Accruals	**-**	521
Borrowings	**-**	118,989
	11,454	130,645

The amounts owed to Group undertakings bear a commercial rate of interest, payable at regular intervals, with due dates set according to the terms of each individual agreement. In the absence of payment on the due dates, interest is rolled over and capitalised.

11 Creditors - amounts falling due after more than one year

	2025 £'000	2024 £'000
Borrowings	**306,474**	289,549
	306,474	289,549

Further details on the Company's external borrowings are shown in the tables below:

	Year ended 31 December 2025						
	Opening amortised cost £'000	Amounts drawn £'000	Transaction costs £'000	Amounts repaid £'000	Cash interest payments £'000	Non-cash movements £'000	Closing amortised cost £'000
2.625% EUR loan notes 2025	**118,989**	–	–	(124,757)	(3,247)	9,015	–
5.875% EUR loan notes 2029	**289,549**	–	–	–	(17,560)	34,485	306,474
Total borrowings	**408,538**	–	–	(124,757)	(20,807)	43,500	306,474

Non-cash movements in borrowings during 2025 comprises foreign exchange losses of £21,542k and interest costs of £21,958k.

11 Creditors - amounts falling due after more than one year *(continued)*

	Year ended 31 December 2024						
	Opening amortised cost £'000	Amounts drawn £'000	Transaction costs £'000	Amounts repaid £'000	Cash interest payments £'000	Non-cash movements £'000	Closing amortised cost £'000
2.625% EUR loan notes 2025	215,736	–	–	(88,724)	(4,375)	(3,648)	118,989
6.625% USD loan notes 2025	391,596	–	–	(393,918)	(12,958)	15,280	–
5.875% EUR loan notes 2029	–	298,788	(4,376)	–	(7,840)	2,977	289,549
Total borrowings	607,332	298,788	(4,376)	(482,642)	(25,173)	14,609	408,538

Non-cash movements in borrowings during 2024 comprises foreign exchange gains of £14,422k, interest costs of £30,748k and gains on extinguishment of £1,717k.

	As at 31 December 2025				As at 31 December 2024			
	Effective sterling interest rate %	**Principal Value 000**	**Year of maturity**	**Amortised cost £'000**	Effective sterling interest rate %	Principal Value 000	Year of maturity	Amortised cost £'000
Non-current secured borrowings:								
5.875% EUR loan notes 2029	**7.5%**	**€350,000**	**2029**	**306,474**	7.5%	€350,000	2029	289,549
Current secured borrowings:								
2.625% EUR loan notes 2025	**–**	**–**	**n/a**	**–**	4.6%	€143,820	2025	118,989
Total borrowings				**306,474**				408,538
Current				**–**				118,989
Non-current				**306,474**				289,549

In May 2024, the Company completed a tender offer on €106.2 million of the principal of the EUR fixed rate loan notes due to mature in 2025 at 97.875% of the principal value (€103.9 million). Following completion of this offer in May 2024, the remaining principal of these notes outstanding was €143.8 million with a fixed interest rate of 2.625%. A gain on extinguishment of £1,724k was recognised within other finance income in relation to this partial repayment.

In October 2025, the remaining €143.8 million outstanding principal of the 2.625% EUR loan notes was repaid.

The €250 million EUR fixed rate loan notes was listed on the Luxembourg stock exchange. The €350 million EUR fixed rate loan notes maturing in 2029 are listed on Euronext Dublin. The loan notes are secured against the assets of a number of the Group's subsidiaries including the operating and trading companies.

Financial covenants are in place over the borrowings held in the Company and are tested every six months, at the financial full year and half year, for compliance. Testing is carried out on the consolidated position of another Group subsidiary, of which this company is a member of, and has complied with the covenants in the current and prior year. The Company is expected to continue to comply with the financial covenants for the foreseeable future. Further information on loan covenants can be found in the Drax Group plc Annual report and accounts p194.

12 Called up share capital

	2025 £'000	2024 £'000
Shares classified as equity		
Allotted, called up and fully paid		
30,050,000 ordinary shares of £1 each	**30,050**	30,050

13 Contingent liabilities

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

- At 31 December 2025 the outstanding principal and accrued interest value of secured borrowings of the Group held by other Group companies amounted to £675.3 million (2024: £775.3 million).
- Subsequent to the balance sheet date, a £190.0 million facility has been drawn by another Group company which is also secured under these arrangements.

The Company also provides security and guarantees in respect of Drax Power Limited's (a Group Company) secured trading lines for foreign exchange, inflation and interest rate hedging arrangements, which allow it to transact prescribed volumes of trades with certain banks without the requirement to post collateral. These secured trading lines would crystallise in the event of Drax Power Limited defaulting on the terms of these arrangements.

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

No liability is provided in respect of any of the above financial guarantees provided to other Group entities as the fair value of the financial guarantees provided are immaterial.

Further information on the Group's borrowings can be found in note 4.2 to the Drax Group plc 2025 Annual report and accounts on pages 191-194.

14 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.

Outstanding balances between Group entities as at the balance sheet date are disclosed within notes 9, 10 and 11 above. There are no other transactions to disclose.

15 Ultimate parent company and controlling party

The immediate parent company is Drax Group Holdings Limited. The ultimate parent company and controlling party 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, or on the Group's website at www.drax.com.