

Company Registration No. SC360559 (Scotland)

ROTHES CORDE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



ROTHES CORDE LIMITED

COMPANY INFORMATION

Directors Mr F J Burns
Mr G P MacWilliam
Mr N Hildyard
Mr J McPhillimy
Mr B Macaulay

Secretary Mr F J Burns

Company number SC360559

Registered office North Street
Rothes
MORAY
AB38 7BW

Auditor KPMG LLP
1 Marischal Square
Aberdeen
AB10 1DD

ROTHES CORDE LIMITED

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ROTHES CORDE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal activity

Roths CoRDe Limited ("the Company") is the operating company for an environmentally friendly 8 MWe / 34 MWth (gross) combined heat and power plant facility ("CHP") located in Roth, Scotland. The facility is fuelled by a combination of draff (a by-product of the whisky distillation process) and locally sourced wood. The facility also includes a multistage evaporator for processing pot ale (another whisky distillation process by-product). The principal activity of the Company in the year under review was to operate the CHP plant.

Review of the business

During the financial year the CHP plant continued to function well. The Company continued progress on several development projects designed to increase revenues, reduce costs and further improve operational performance.

Operating profit for the financial year 2022 increased from 2021 due to high availability of plant during a period of high electricity market prices.

Gross assets of £54.7m on the balance sheet comprise primarily of the property, plant and equipment relating to the CHP plant. Current and non-current liabilities at year end were £36.7m, comprising primarily of a long-term loan owed to group undertakings of £29.8m.

Principal risks and uncertainties

Liquidity risk

The cash requirements of the Company are forecast by the board annually in advance until the final payment of loan facilities. They are reviewed monthly by management, ensuring the Company's continued ability to service debt and meet its financial covenants.

Operational risk

During operation, the Company is exposed to a number of risks which could impact revenue, including (without limitations):

- unplanned outages due to break-down or force majeure;
- the plant failing to perform to the required levels;
- supplier default or insolvency; and
- fines or penalties which could result from a failure to comply with EU, UK and/or equivalent local environmental and health and safety laws and regulations.

These risks are mitigated through the application of sound operational practices and procedures. The Company also ensures the appointment and retention of appropriately qualified staff and management to oversee plant operations and arrangements with the distillers.

In making their risk assessment, the directors have considered possible changes and mitigating actions which may result from geopolitical changes relating to trade. Whilst such change remain inherently uncertain, the Company's revenues, suppliers and employees are UK based, which the directors consider reduces risks that may arise.

Credit risk

The Company is exposed to counterparty credit risk from its investments in long-term fuel supply contracts and its electricity offtake agreements. In order to best mitigate credit risk the Company abides by a policy of dealing only with creditworthy counterparties. The Company also only transacts with counterparties that are regulated entities subject to prudential supervision.

ROTHES CORDE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators ('KPIs')

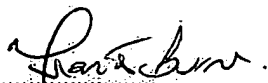
	2022	2021
Revenue	£27,655,007	£18,922,852
Gross profit	£21,670,260	£13,677,018
Profit before tax	£12,668,947	£5,738,807

Principal non-financial considerations include the environmental impact of the plant and the sustainability of the fuel supply.

Future outlook

The directors of the Company remain optimistic about the future performance of the business and are confident that the plant remains well positioned to meet future forecasts. The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the directors have considered a wide range of information relating to present and future considerations, including future projections of profitability, cash flows, capital reserves and the ability of the Company to service its debt and meet its related financial covenants. The financial statements have been prepared on a going concern basis. Further disclosure is set out in note 1 to the financial statements.

On behalf of the board



Mr F J Burns
Director

Date: 26th April 2023

ROTHES CORDE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is set out in the strategic report on page 1.

Results and dividends

The results for the year are set out on page 10.

Interim ordinary dividends were paid amounting to £7,823,800 (2021 - £9,503,696). Subsequent to the year end, a further dividend was paid by the directors of £6,844,500.

Political donations

The Company made no political donations in the current or prior year.

Financial instruments

Details of the Company's principal financial instruments at the year end are disclosed in notes 11 to 14 of the financial statements

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr F J Burns
Mr G P MacWilliam
Mr N Hildyard
Mr J McPhillimy
Mr B Macaulay

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

Subsequent to the year end, the company received £5.98m from its immediate parent undertaking to finance the construction of an Effluent Treatment Plant. Funding is provided at an interest rate of 8% and repayment is due from date of drawdown to June 2028. A monthly repayment profile has been established to calculate a stable payment profile over this period.

Future developments

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and outlook.

Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

ROTHES CORDE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board



Mr F J Burns
Director

Date: 26th April 2023

ROTHES CORDE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

ROTHES CORDE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROTHES CORDE LIMITED

Opinion

We have audited the financial statements of Rothes Cordé Limited ('the company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

ROTHES CORDE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ROTHES CORDE LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the non-complex and non-judgmental nature of the Company's revenue streams and revenue recognition policies, which are principally based on metered or weighed readings.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test, based on risk criteria and comparing the identified entries to supporting documentation. These included those revenue entries made to unrelated accounts and cash journals posted to unusual or unexpected accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and environmental regulation, recognising the nature of the company's operations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

ROTHES CORDE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ROTHES CORDE LIMITED

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of directors

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

ROTHES CORDE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ROTHES CORDE LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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



David Derbyshire (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Date:27 April 2023.....

1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

ROTHES CORDE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	27,655,007	18,922,852
Cost of sales		(5,984,747)	(5,245,834)
Gross profit		21,670,260	13,677,018
Administrative expenses		(8,104,243)	(6,963,501)
Operating profit	4	13,566,017	6,713,517
Interest payable and similar expenses	6	(897,070)	(974,710)
Profit before taxation		12,668,947	5,738,807
Tax on profit	7	(2,444,359)	(1,960,609)
Profit for the financial year		10,224,588	3,778,198
Other comprehensive income		-	-
Total comprehensive income for the year		10,224,588	3,778,198

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.


ROTHES CORDE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	9	35,699,769		38,035,923	
Current assets					
Stocks	10	34,399		39,506	
Debtors	11	10,448,406		12,115,798	
Cash at bank and in hand		8,486,044		3,650,840	
		<u>18,968,849</u>		<u>15,806,144</u>	
Creditors: amounts falling due within one year	12	<u>(4,820,741)</u>		<u>(4,924,641)</u>	
Net current assets		<u>14,148,108</u>		<u>10,881,503</u>	
Total assets less current liabilities		<u>49,847,877</u>		<u>48,917,426</u>	
Creditors: amounts falling due after more than one year	13	(28,286,309)		(29,850,111)	
Provisions for liabilities					
Deferred tax liability	15	<u>3,623,045</u>		<u>3,529,580</u>	
		<u>(3,623,045)</u>		<u>(3,529,580)</u>	
Net assets		<u>17,938,523</u>		<u>15,537,735</u>	
Capital and reserves					
Called up share capital	17	11,140		11,140	
Share premium account	18	13,721,124		13,721,124	
Profit and loss reserves	18	4,206,259		1,805,471	
Total equity		<u>17,938,523</u>		<u>15,537,735</u>	

The financial statements were approved by the board of directors and authorised for issue on 26th April 2023 and are signed on its behalf by:



Mr F J Burns
Director

Company Registration No. SC360559

ROTHES CORDE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021		11,140	13,721,124	7,530,969	21,263,233
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	3,778,198	3,778,198
Dividends	8	-	-	(9,503,696)	(9,503,696)
Balance at 31 December 2021		11,140	13,721,124	1,805,471	15,537,735
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	10,224,588	10,224,588
Dividends	8	-	-	(7,823,800)	(7,823,800)
Balance at 31 December 2022		11,140	13,721,124	4,206,259	17,938,523

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Roths Corde Limited is a private company limited by shares incorporated in Scotland. The registered office is North Street, Roths, MORAY, Morayshire, AB38 7BW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Roths Corde Limited is a subsidiary of Leo Energy Limited, which is in turn a wholly owned subsidiary of Draff Lion Limited. The current year results of Roths Corde Limited are included in the consolidated financial statements of Draff Lion Limited which are publicly available.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Company reported profit before tax of £12.7m for the year and net current assets of £14.1m.

The Company is funded by a long term loan from its parent undertaking, Leo Energy Limited, which in turn is financed by a long term bank loan borrowed by an intermediary parent undertaking, Leo Finco Limited.

The parent company loan from Leo Energy Limited is repayable in annual instalments over its term to 2033.

The bank loan held by Leo Finco Limited is secured on the Company's assets. The bank loan is repayable in annual instalments over its term to 2033 and is subject to one financial covenant, tested six monthly at 31 December and 30 June, over the ratio of annualised available cash flows from operations to debt service cash flows. This financial covenant is calculated based on the aggregated results of the Company and another combined heat and power facility which is held in another company, albeit one under common control. The financial covenant was achieved at 31 December 2022.

The directors have prepared cash flow forecasts for a period of at least twelve months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. In making this assessment the directors have considered a wide range of information relating to present and future considerations, including future projections of profitability, cash flows, the timing of discretionary distributions, and the ability of the Leo Finco Limited group to service its debt and meet its related bank loan financial covenants. As described above the directors of the Company have to forecast this covenant compliance on an aggregated basis. The Leo Finco Limited bank covenant is forecast to be met during the next 12 month period, with headroom, taking account of reasonably possible downsides for both plants which may arise from the following forecasting risks.

Forecasting risks include a reduction in revenues as a result of unplanned outages at each plant due to break-down or force majeure or the plant failing to perform to the required levels. To the extent the impact of such risks is considered reasonably possible, the directors forecast sufficient liquidity to meet the Company's financial obligations and those under the Leo Finco Limited bank loan.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Turnover

Revenue is recognised when a contract with a customer is held. Long term supply contracts are held with customers in respect of the Company's activities. The following are identified as performance obligations; each distillery processing activity undertaken; each sale of pot ale syrup; and each unit of electricity delivered to the grid.

Revenue is recognised at a point in time on delivery of performance obligations relating to specific goods or services. Revenue from distillery processing is recognised when the service has been rendered; revenue from pot ale syrups are recognised on transfer of goods to the customer via the use of the weighbridge; revenue from electricity generation when supplied to the grid using meters.

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost, which includes all costs necessary to bring the asset to working condition for its intended use, and are subsequently measured at cost, net of depreciation and any impairment losses.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Nil
Plant and equipment	4% - 20%

Freehold land is not depreciated.

Where parts of an item of plant and equipment have different useful lives (including major inspections or overhauls), they are accounted for as separate items of plant and equipment and depreciated over their useful economic lives. Repair and maintenance costs are recognised in profit or loss as they are incurred.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.6 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include certain debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including certain creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements 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 amount 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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Classification of expenditure

Accounting judgement is required in determining whether expenditure relating to plant and equipment increases and enhances the economic benefits to be received from the asset, and is therefore capitalised, or if it is maintenance expenditure and should be expensed. The Company has processes and controls to evaluate the classification of such expenditure. These processes and controls include ensuring that where an item is determined to be capital in nature, the remaining net book value of any parts being replaced are disposed of and written off.

The materiality of this judgement is dependent on the quantum and nature of expenditure undertaken in a financial period.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Carrying value and depreciation of plant and equipment

Indicators of impairment to the carrying value of plant and equipment are assessed annually, including evaluation of the present value of future cash flows. No impairment indicators have been recognised at 31 December 2022. Depreciation on plant and equipment assets is determined at varying rates between 4% - 20% annually on a straight-line basis. The Company continually assesses the expected useful life of the plant, and the financing in place in relation to the construction of the plant, to ensure that the depreciation rates applied reflect the useful life of the plant and equipment. Total depreciation charged for the year amounted to £2,730,671 (2021 - £2,675,488). The cost of plant and equipment includes capitalised borrowing costs of £4,367,000 (2021 - £4,367,000).

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Distillery processing	5,329,618	4,689,708
Pot ale syrup	1,856,765	1,488,137
Electricity sales	20,468,624	12,745,007
	<u>27,655,007</u>	<u>18,922,852</u>

All turnover arose in the UK in both years.

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(7,087)	-
Fees payable to the company's auditor for the audit of the company's financial statements	37,591	31,000
Depreciation of owned tangible fixed assets	2,730,671	2,675,488
Loss on disposal of tangible fixed assets	<u>25,989</u>	<u>38,014</u>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Draff Lion Limited.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2022 Number	2021 Number
Total	23	23

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	1,140,019	1,020,637
Social security costs	136,563	117,415
Pension costs	97,869	88,899
	<u>1,374,451</u>	<u>1,226,951</u>

Directors' remuneration is disclosed in note 20.

6 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,178	3,316
	<u>2,178</u>	<u>3,316</u>
Other finance costs:		
Other interest	894,892	971,394
	<u>897,070</u>	<u>974,710</u>

7 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	2,366,736	981,282
Adjustments in respect of prior periods	(15,842)	60,058
	<u>2,350,894</u>	<u>1,041,340</u>

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Taxation

(Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of timing differences	69,668	997,070
Changes in tax rates	21,999	-
Adjustment in respect of prior periods	1,798	(77,801)
Total deferred tax	93,465	919,269
Total tax charge	2,444,359	1,960,609

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	12,668,947	5,738,807
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,407,100	1,090,373
Tax effect of expenses that are not deductible in determining taxable profit	398	6,010
Adjustments in respect of prior years	(15,842)	60,058
Group relief	(16,336)	(16,890)
Depreciation on assets not qualifying for tax allowances	45,241	51,759
Deferred tax adjustments in respect of prior years	1,798	(77,801)
Adjustment due to change in tax rates	22,000	847,100
Taxation charge for the year	2,444,359	1,960,609

A change in the future UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the Company's future tax charge in the UK and as the 25% tax rate was substantively enacted prior to the reporting date, deferred tax expected to unwind after 1 April 2023 has been calculated at 25% as opposed to the current tax rate of 19%.

8 Dividends

	2022 £	2021 £
Interim paid	7,823,800	9,503,696

Subsequent to the year end, a further dividend was paid by the directors of £6,844,500.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 1 January 2022	30,000	59,602,001	59,632,001
Additions	-	420,506	420,506
Disposals	-	(229,390)	(229,390)
At 31 December 2022	30,000	59,793,117	59,823,117
Depreciation and impairment			
At 1 January 2022	-	21,596,078	21,596,078
Depreciation charged in the year	-	2,730,671	2,730,671
Eliminated in respect of disposals	-	(203,401)	(203,401)
At 31 December 2022	-	24,123,348	24,123,348
Carrying amount			
At 31 December 2022	30,000	35,669,769	35,699,769
At 31 December 2021	30,000	38,005,923	38,035,923

Included in the cost of plant and equipment are capitalised interest costs of £4,367,000 (2021 - £4,367,000)

10 Stocks

	2022 £	2021 £
Raw materials and consumables	34,399	39,506

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,979,162 (2021: £4,413,680).

11 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	2,497,644	3,596,281
Amounts owed by group undertakings	3,736,819	4,092,290
Other debtors	182,793	54,737
Prepayments	422,705	369,906
Accrued income	3,608,445	4,002,584
	10,448,406	12,115,798

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Interest bearing loans - Amounts owed to group undertakings	14	1,564,522	2,327,801
Trade creditors		906,896	448,138
Corporation tax		1,148,613	693,751
Other taxation and social security		968,187	870,393
Other creditors		281	15,152
Accruals and deferred income		232,242	569,406
		<u>4,820,741</u>	<u>4,924,641</u>

13 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Interest bearing loans - Amounts owed to group undertakings	14	<u>28,286,309</u>	<u>29,850,111</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>19,078,210</u>	<u>21,750,969</u>
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14 Loans and overdrafts

	2022 £	2021 £
Interest bearing loans - Amounts owed to group undertakings	<u>29,850,831</u>	<u>32,177,912</u>
Payable within one year	1,564,522	2,327,801
Payable after one year	<u>28,286,309</u>	<u>29,850,111</u>

The interest-bearing loan owed to group undertakings is secured by way of debenture issued by the Company over all its assets and the shares held by the shareholders. The loan is repayable in instalments over its term to 2033 and carries a fixed rate of interest of 2.841%.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	3,625,665	3,531,377
Other temporary differences	(2,620)	(1,797)
	<u>3,623,045</u>	<u>3,529,580</u>
		2022 £
Movements in the year:		
Liability at 1 January 2022		3,529,580
Charge to profit or loss		<u>93,465</u>
Liability at 31 December 2022		<u>3,623,045</u>

There are no unprovided deferred tax liabilities and no unrecognised deferred tax assets at the balance sheet date (2021 - £Nil).

16 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>97,869</u>	<u>88,899</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

17 Share capital

	2022 £	2021 £
Ordinary share capital		
Issued and fully paid		
5,571 A shares of £1 each	5,571	5,571
590 B shares of £1 each	590	590
4,979 C shares of £1 each	4,979	4,979
	<u>11,140</u>	<u>11,140</u>

The A shares, the B shares and the C shares are separate classes of shares but carry the same rights and privileges and rank pari passu in all respects.

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 Reserves

Share premium

Share premium represents amounts received for equity instruments in excess of their par value.

On 3 April 2023 the Company reduced its share premium by £1,844,500 and credited this to the profit and loss account as a distributable reserve.

Profit and loss reserves

Profit and loss reserves represent total comprehensive income for the year and prior periods less dividends paid.

19 Events after the reporting date

Subsequent to the year end, the company received £5.98m from its immediate parent undertaking to finance the construction of an Effluent Treatment Plant. Funding is provided at an interest rate of 8% and repayment is due from date of drawdown to June 2028. A monthly repayment profile has been established to calculate a stable payment profile over this period.

20 Related party transactions

Remuneration of key management personnel

Directors' remuneration

Remuneration paid to the Company's directors by related companies for qualifying services provided by the directors to the Company for the year ended 31 December 2022 was £202,767 (2021: £188,617). This comprised emoluments of £192,090 (2021: £178,632) and contributions to defined contribution pension schemes of £10,677 (2021: £9,985). The number of directors for whom pension benefits are accruing under defined contribution schemes totalled one (2021: one).

Transactions with related parties

Leo Energy Limited holds 94.7% of the issued share capital of the Company. The Company has a management services agreement with Leo Energy Limited.

During the year the Company entered into the following transactions with Leo Energy Limited:

	Management charge paid	
	2022	2021
	£	£
Entities with control, joint control or significant influence over the company	<u>270,349</u>	<u>252,410</u>

Dividends of £7,409,200 were paid to Leo Energy in the year (2021: £9,000,000).

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	<u>29,850,831</u>	<u>32,177,912</u>

ROTHES CORDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2022	2021
Amounts due from related parties	£	£
Entities with control, joint control or significant influence over the company	<u>3,736,819</u>	<u>4,117,623</u>

21 Ultimate controlling party

The immediate parent company is Leo Energy Limited.

Draff Lion Limited is the largest company in which the Company is consolidated.

The ultimate parent company is AIP Holdings Limited. The registered office for AIP Holdings Limited is Loddon Reach, Reading Road, Arborfield, Reading, Berkshire, England, RG2 9HU.