

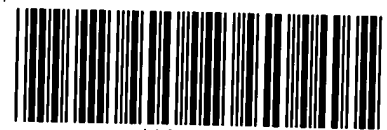
Company Registration No. SC277480 (Scotland)

**BALMORAL GROUP HOLDINGS
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2023

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BALMORAL GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Sir J S Milne CBE W E Main P W Mitchell K W Binnie G J Gerrard
Secretary	J T Lowden
Company number	SC277480
Registered office	Balmoral Park Loirston Aberdeen United Kingdom AB12 3GY
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

BALMORAL GROUP HOLDINGS LIMITED

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BALMORAL GROUP HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The results for the year ended 31 March 2023 reflect a substantial improvement in both turnover and profitability for Balmoral Group compared to the previous two years which had been adversely impacted by the COVID pandemic affecting our markets and supply chains.

We are delighted to report positive performance across all divisions of Balmoral Group, with turnover of £136m, impressively 37% up on the previous year, and gross margins returning to more sustainable levels following the impacts on previous years from increased material prices on long term projects. As a result, operating profit increased from £0.5m last year, from continuing operations, to £8.3m this year, and profit before tax was £9m for the year. Cash generation was excellent with over £20m of cash generated from operations and the Balmoral Group Balance Sheet strength improved with shareholders' funds increasing to £113m as at 31st March 2023.

Our transition from oil and gas into other markets has also made good progress throughout the year which is important for the group's long-term future. The order books in the main trading businesses are strong and show that the investment in our products and people are delivering significant benefits in the medium to longer term.

Balmoral Comtec continued to build momentum in securing renewable energy projects, allowing us to transition our vast experience in oil and gas into the renewables sector. We are developing further products for this exciting market that will see significant investment in the decade ahead.

Balmoral Tanks has continued to grow its reputation as a quality manufacturer and was the first such manufacturing business in the world to receive BSI certification for customer service. Along with previous investment in facilities and the business in general, this has resulted in the company returning to strong profitability in the year as it continues to expand in overseas markets.

We have enhanced our Environmental, Social and Governance (ESG) agenda and a working party has been established across the group companies to continue to give this focus.

The Group continues to operate a hybrid working model, with elements of home working continuing after the pandemic, and we have made significant steps in improving our employee engagement to build a more collaborative and motivated workforce.

We acknowledge that at the core of a successful business are its employees, culture and the professionalism, loyalty and commitment of our workforce across the board underlines the vision we have for the future of the business.


Aligned with our business investment philosophy, which is based on correct decision-making for the medium and longer term rather focussing on short term results, we continue our support for many charities worldwide, including Friends of ANCHOR in Aberdeen.

Future outlook

We are hugely encouraged by the significant uplift in activity levels across our businesses in the last year. We have seen improvements in our order books and market activity and with the continued transition to renewable activities, the group will soon have more revenue from other market areas. With order backlogs continuing to grow, and a continued focus on people, the future of the group is in a good position.

Balmoral Comtec continues to benefit from the substantial investment being made in energy transition and energy security, giving our customers increasing confidence to make contract awards. Balmoral Tanks has also won substantial export contracts resulting in improved profitability and a strong platform for future growth. Blaze Manufacturing also continue their turnaround with an impressive order book across diverse sectors and profitability continuing to improve.

Balmoral Group has emerged from the global pandemic in good shape from an operational and financial perspective. We have a strong balance sheet with significant cash resources, and the outlook is very positive, with improving profitability evident across the group.


Sir J S Milne CBE
Chairman

Date: 22 November 2023

BALMORAL GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Principal activities

The group is involved in the design and manufacture of a range of products and the management of its property assets.

Business model

Our business model is to provide our customers with value added solutions through product design, development, manufacture and delivery. Our routes to market vary across product types with the main sales channels being where we identify potential customers and bid for work through a competitive tendering process. Critical to our business success are quality, design and customer service.

Business review and results

Our operations split into two main classes of business: manufacturing and property related.

Manufacturing businesses

Our operation in Aberdeen is a trusted global partner to the offshore energy sector. We offer unrivalled technical expertise, a vast project track record, evidence-based buoyancy, protection and insulation product solutions. This combined with a proactive approach to stakeholder engagement, ensures success. The year to 31 March 2023 was a period of growth for the business as it started to work through the backlog which occurred as a result of the COVID-19 pandemic with increasing focus on renewables projects.

Our Tanks business operate from factories in Thurnscoe, South Yorkshire and Llantrisant, South Wales. This business has seen significant investment over the past five years as we continue to consolidate our position as a world class manufacturer. The business has seen a significant upturn in business activity during the period with turnover up 35% on the prior year and also ending ahead of budget due to increased activity in the US. This has contributed to the business generating a strong profit during the period.

Blaze Manufacturing Solutions became a subsidiary during 2019 and provide a range of fire protection systems and services. The business is in a rebuilding phase and its recovery was severely impacted by COVID as staff could not travel to overseas locations and offshore work was restricted. However, as a result of businesses returning to a more normal state during the period, the company saw an increase in business activity which reduced the loss incurred. The business has successfully transitioned over the last few years to become a market leader for fire safety solutions for the oil and gas, renewable, nuclear and industrial sectors.

Property

The Aberdeen commercial property market remained difficult with increases in borrowing costs and general market sentiment in various sectors being impacted and resulted in a revaluation deficit of £240,000 during the period. However, despite these challenges there has been increased investment in our office complex which has increased occupancy rates and created further interest in the space.

The group balance sheet shows fixed assets for lease outside the Balmoral Group as either Investment Properties or as finance Lease Receivables depending on the terms of the lease. Investment properties are carried at fair value in the balance sheet, based on annual valuation by an external, independent valuer. Finance lease receivables are carried at amortised cost. The estimated fair market value of finance lease receivables based on an external valuation and the book value recorded in the balance sheet do not differ materially.

Key performance indicators

The management teams in the group use a number of KPI measures to monitor the progress of their business units. In addition to financial measures these cover quality and HSE issues. The top level financial KPIs are sales growth, operating profit and working capital. Between these they demonstrate if the objective of profitable growth is being achieved whilst controlling the cash demands of the business.

During the year turnover from continuing activities grew by 37% to £136.1m which resulted in a significant increase in operating profit to £8.3m (2022: £0.5m). Despite the strong trading performance, working capital excluding cash decreased by £5.1m.

BALMORAL GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Key performance indicators (continued)

In addition to key financial performance indicators, the group also monitors a number of key non-financial performance indicators. As health and safety is considered paramount, the number of reported accidents is monitored across the year. Management's focus is on reducing health and safety incidents with a focus on staff training whilst also clearly emphasising to stakeholders within the business the importance of health and safety.

Staff turnover is reviewed each month, with attention given to the reasons for people leaving to ensure that any trends are identified and proactively addressed. A cyber-attack or serious failure in our systems could result in us being unable to deliver service to our customers and/or the loss of data. As a result, the company has invested in protecting its IT infrastructure and data whilst providing regular training to staff.

Principal risks and uncertainties

The directors continue to monitor the key risks that the group faces, these are summarised below:

Market risk

The group operates in competitive markets where continuing growth is dependent upon consolidating on existing customer relationships and developing new ones. At all levels of the business, the group is proactive in developing its relationships with customers and suppliers in order to work with them to understand their needs and where we can add value. We continue to meet or exceed our customer expectations by investing in our products, plant, processes and people.

General economic activity

The group's business depends on the level of activity in the markets in which it operates and, consequently, any significant change in activity levels could adversely affect the group's order book, financial performance, position and prospects. In response to this risk, management monitor economic conditions at national and global levels whilst also working closely with customers in order to understand the impact that any changes in general economic conditions may have.

Raw material availability and price

The group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. However, the cyclical nature of markets may lead to volatile changes in raw material prices.

Commodity prices

The group's activities are affected by certain commodity prices, being energy, and to a smaller extent, the price of steel and other metals. The movement in prices of these commodities has a direct impact on the number of projects which receive sanction which in turn affects the number of projects on the books of our principal customers, the offshore contractors.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including foreign exchange fluctuations, credit and liquidity risks. These specific risks, their impact on the group and how these risks are mitigated are dealt with below.

Foreign exchange fluctuations

The group's activities expose it to the financial risk of changes in foreign currency exchange rates, in particular in relation to the US Dollar and Euro. The group monitors exchange risks and has a policy of hedging against currency fluctuations by purchasing raw materials in the same currency as sales are denominated in whenever possible or, from time to time, using hedging currency contracts.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's receivables from customers. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The group has processes and controls in place to regularly monitor individual trade debtor counterparty exposure.

The credit risk in liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies.

BALMORAL GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity is the risk that the group will not be able to meet its financial obligations as they fall due. The group aims to mitigate liquidity risk by carefully managing cash generation by its operations and applying cash collection targets. Forecasts are produced to assist management in identifying liquidity requirements and maintaining adequate resources. The group also manages liquidity risk via revolving credit facilities.

Future developments

The financial strength of the group has allowed continued focus on developing new products and markets and the increasing proportion of renewable orders and opportunities present a positive position for the group going forward.

Statement relating to the directors' responsibility under Section 172 of the Companies Act

The directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The directors' section 172 duties are part of Board discussions.

The group's core values are noted at the start of the accounts and set out how all companies in the group and their employees are expected to interact with each other and key stakeholders. To drive long term value for all stakeholders the directors believe it is necessary, in addition to acting in accordance with our core values, to invest in our people, plant and products. This includes the quality of the working environment, training and adequate investment in research and development.

The directors continue to have regard to the interest of the group's key stakeholders, and throughout the year the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups, their material issues and how the group engages with and considers the interest of each stakeholder group.

- **Investors and lenders**

The group has low levels of borrowings and is owned by the chairman and his family trusts; the investors are therefore involved in the day to day management of the group. Minority shareholders are directors or senior managers in subsidiary companies and are therefore kept informed of the progress of their investments. Our lenders key interest is in the long-term future of the business and they are updated on progress on a quarterly basis.

- **Employees**

Our people are key to our success and we want them to be successful both individually and as a team. Directors and senior management in all group businesses maintain regular formal and informal communication with staff. Key areas of focus include health and welfare, training and development opportunities, pay and conditions. Staff want to work for a successful business that invests in the future in a safe and sustainable way. Our core values, our focus on HSEQ and investment in research and development address these concerns.

- **Customers**

Our customers are looking for a quality product, delivered on time at a fair value. At all levels of the business we are proactive in our relationships with our customers and in regular communication as projects are progressed from winning the sale, detailed design, manufacture and delivery. We build strong relationships with our customers and work with them to understand their needs and where we can add value. We continually strive to meet or exceed our customer expectations by investing in our products, plant, processes and people.

- **Suppliers**

We build strong relationships with our suppliers to build mutually beneficial and lasting partnerships. Engagement includes formal performance reviews and key areas of focus include innovation, product development, health and safety and continuity of supply. The main concerns of our suppliers include visibility of future demand for their products and services. Where possible we share planning information to align our demand with their ability to supply.

- **Other stakeholders**

We engage with the communities in which we operate. The group supports the Friends of ANCHOR charity in Aberdeen by meeting the salary cost of the fund-raising team and all the administration expenses. In addition, individual businesses support local causes directly and national and international causes are supported through donations to the Milne Family Foundation.

BALMORAL GROUP HOLDINGS LIMITED

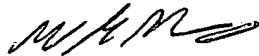
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Statement relating to the directors' responsibility under Section 172 of the Companies Act (continued)

In committing to the core values of the group the directors believe this demonstrates their desire for the group to maintain a reputation for high standards of business conduct and the need to act fairly between members of the group.

On behalf of the board



.....
WE Main
Director

Date: 22/11/23

BALMORAL GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company and group continued to be that of design and manufacture of a range of products and the management of its property assets.

Results and dividends

The results for the year are set out on page 13.

Ordinary dividends were paid amounting to £40,000 (2022: £nil). The directors do not recommend payment of a further dividend (2022: £nil).

Directors

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

Sir J S Milne CBE

W E Main

P W Mitchell

(Appointed 29 March 2023)

K W Binnie

G J Gerrard

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.

Charitable and political donations

The group continues to support the Friends of ANCHOR charity by meeting all its administrative costs. In addition the group made donations to a range of charities supporting social, medical and religious work in the UK and overseas. Donations to UK charities amounted to £2,256,000 (2022: £2,124,000). The group made political donations in the year to the Labour Party of £nil (2022: £10,000).

Engagement with employees

Direct personal communication with employees is an integral part of the group's philosophy. This is achieved by means of regular in-house publications and consultation with employees on matters of concern to them. It is the policy of the company to develop a safe working environment and to offer equal opportunities to all seeking or maintaining employment with the company, including offering employment to disabled persons with the appropriate skills and qualifications.

Engagement with suppliers, customers and others

Relationships with stakeholders are of strategic importance to the group and these matters are therefore dealt with in the strategic report (under section 172 obligations).

Matters addressed in the strategic report

The group has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the group'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 financial risk management objectives and policies where applicable.

Auditor

Johnston Carmichael LLP were appointed as auditor to the company during the current year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

BALMORAL GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Energy and carbon report

The group's UK energy use was 24,868,389 KWh (2022: 25,901,354 KWh). This equates to the following levels of CO2 emissions by source.

	2023 metric tonnes	2022 metric tonnes
<i>Emissions of CO2 equivalent</i>		
Scope 1 - direct emissions		
- Gas combustion	2,383	2,644
- Fuel consumed for owned transport	159	170
	<u>2,542</u>	<u>2,814</u>
Scope 2 - indirect emissions		
- Electricity purchased	2,166	2,298
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company	41	27
	<u>4,749</u>	<u>5,139</u>
<i>Intensity ratio</i>		
Tonnes CO2e per £m sales	35	45

All continuing businesses in the UK are included in the above figures.

Quantification and reporting methodology

The above emissions disclosures have been prepared in accordance with the provisions of the 'GHG Reporting Protocol – Corporate Standard' and HM Government 'Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance' issued March 2019. The UK Government greenhouse gas reporting conversion factors for 2022 were used in preparing this report.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per £m sales, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have formalised our ESG strategy and developed our net zero position statement to focus on our Scope 1 and 2 emissions and to reduce these to net zero by 2035 we have appointed a dedicated ESG compliance lead and established an ESG subcommittee to enhance employee engagement and education, focusing on the reduction of the use of energy used to produce each unit of output. We have established mandatory environmental awareness training for all employees as part of our suite of compliance training and introduced compulsory environmental aspects and impacts training for all Managers and above.

The SMART metering technology is now online to measure our electrical energy use in greater detail as we identify our energy reduction projects. We have identified and commissioned energy efficient plant and equipment within our product manufacturing areas and appointed a third-party contractor to fully upgrade all lighting across the site, yard, factory, and offices to lower energy LED lighting. In March 2023 we successfully achieved ISO 14001:2015 certification to add to the existing suite of third-party approval. In addition to the Net Zero targets our Research and Development departments have begun to qualify production materials that can be recycled thus enabling a "Circular Economy".

BALMORAL GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board



W E Main
Director

Date: 22/11/23

BALMORAL GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BALMORAL GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Balmoral Group Holdings Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2023 which comprise the group Profit and Loss Account, the group Statement of Comprehensive Income, the group Balance Sheet, the company Balance Sheet, the group Statement of Changes in Equity, the company Statement of Changes in Equity, the group Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 group's and parent 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.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the chairman's statement, strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

BALMORAL GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BALMORAL GROUP HOLDINGS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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.

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 an auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company, and the sectors in which they operate, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice;
- Companies Act 2006;
- Corporate Tax Legislation;
- Health and Safety legislation; and
- Employment legislation.

BALMORAL GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BALMORAL GROUP HOLDINGS LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We gained an understanding of how the group and parent company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, and relevant correspondence with regulatory bodies.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls;
- Revenue recognition; and
- Contract accounting.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Performing audit work procedures confirming the completeness of revenue recognised within the financial statements through reconciliation of the operations system and finance system, including review of source documents to determine whether revenue has been recognised in the correct period;
- Performing audit work procedures over contract accounting, including review of management's estimates;
- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the groups's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the group and parent company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

BALMORAL GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BALMORAL GROUP HOLDINGS LIMITED

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Wilson (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Date: 22/11/23

Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BALMORAL GROUP HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Continuing and total operations 31 March 2023 £'000	Continuing operations 31 March 2022 £'000	Discontinued operations 31 March 2022 £'000	Total operations 31 March 2022 £'000
Turnover	3	136,102	99,391	13,870	113,261
Cost of sales		(108,682)	(83,447)	(8,707)	(92,154)
Gross profit		27,420	15,944	5,163	21,107
Administrative and selling expenses		(19,803)	(17,483)	(2,804)	(20,287)
Other operating income	3	710	2,083	(5)	2,078
Exceptional item	4	-	-	(341)	(341)
Operating profit	5	8,327	544	2,013	2,557
Interest receivable and similar income	9	1,091	57	-	57
Interest payable and similar expenses	10	(397)	(598)	(137)	(735)
Loss on disposal of operation	4	-	-	(3,215)	(3,215)
Profit/(loss) before taxation		9,021	3	(1,339)	(1,336)
Tax on profit/(loss)	11	(1,662)	(2,390)	442	(1,948)
Profit/(loss) for the financial year		7,359	(2,387)	(897)	(3,284)
Other comprehensive (expense)/income					
Currency translation differences		(13)			67
Total comprehensive income/(expense) for the year		7,346			(3,217)
Profit/(loss) for the financial year is attributable to:					
- Owners of the parent company		7,360			(3,791)
- Non-controlling interests		(1)			507
		7,359			(3,284)
Total comprehensive income/(expense) for the year is attributable to:					
- Owners of the parent company		7,347			(3,724)
- Non-controlling interests		(1)			507
		7,346			(3,217)

BALMORAL GROUP HOLDINGS LIMITED

GROUP AND COMPANY BALANCE SHEETS

AS AT 31 MARCH 2023

		Group		Company	
	Notes	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed assets					
Goodwill	13	759	961	-	-
Other intangible assets	13	1,275	988	2	3
		<u>2,034</u>	<u>1,949</u>	<u>2</u>	<u>3</u>
Total intangible assets		2,034	1,949	2	3
Tangible assets	14	51,191	52,971	36	55
Investment properties	15	9,607	8,246	-	-
Finance lease receivables	16	14,509	14,394	-	-
Investments	17	-	-	19,987	17,685
		<u>77,341</u>	<u>77,560</u>	<u>20,025</u>	<u>17,743</u>
Current assets					
Stocks	19	9,054	9,195	-	-
Debtors falling due after more than one year	20	195	278	37,017	30
Debtors falling due within one year	20	46,938	51,977	9,231	22,703
Cash at bank and in hand		24,271	25,365	1,059	7,446
		<u>80,458</u>	<u>86,815</u>	<u>47,307</u>	<u>30,179</u>
Creditors: amounts falling due within one year	21	(36,042)	(47,042)	(1,540)	(28,319)
Net current assets		<u>44,416</u>	<u>39,773</u>	<u>45,767</u>	<u>1,860</u>
Total assets less current liabilities		<u>121,757</u>	<u>117,333</u>	<u>65,792</u>	<u>19,603</u>
Creditors: amounts falling due after more than one year	22	(1,053)	(1,536)	-	-
Provisions for liabilities					
Deferred tax liability	25	(7,800)	(7,319)	-	-
Net assets		<u>112,904</u>	<u>108,478</u>	<u>65,792</u>	<u>19,603</u>
Capital and reserves					
Called up share capital	28	250	250	250	250
Profit and loss reserves	29	111,994	106,620	65,542	19,353
		<u>112,244</u>	<u>106,870</u>	<u>65,792</u>	<u>19,603</u>
Equity attributable to owners of the parent company		<u>112,244</u>	<u>106,870</u>	<u>65,792</u>	<u>19,603</u>
Non-controlling interests		<u>660</u>	<u>1,608</u>	<u>-</u>	<u>-</u>
		<u>112,904</u>	<u>108,478</u>	<u>65,792</u>	<u>19,603</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £46,229k (2022 - £3,522k profit).

BALMORAL GROUP HOLDINGS LIMITED

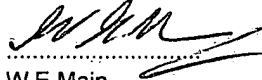
GROUP AND COMPANY BALANCE SHEETS (CONTINUED)

AS AT 31 MARCH 2023

The financial statements were approved by the board of directors and authorised for issue on 22/11/23 and are signed on its behalf by:



Sir J S Milne CBE
Director



W E Main
Director

Company Registration No. SC277480

BALMORAL GROUP HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Profit and loss reserves £'000	Total controlling interest £'000	Non-controlling interest £'000	Total £'000
Balance at 1 April 2021		250	110,344	110,594	7,495	118,089
Year ended 31 March 2022:						
Loss for the year		-	(3,791)	(3,791)	507	(3,284)
Other comprehensive income:						
Currency translation differences		-	67	67	-	67
Total comprehensive expense for the year		-	(3,724)	(3,724)	507	(3,217)
Disposal of subsidiary		-	-	-	(6,394)	(6,394)
Balance at 31 March 2022		250	106,620	106,870	1,608	108,478
Year ended 31 March 2023:						
Profit for the year		-	7,360	7,360	(1)	7,359
Other comprehensive expense:						
Currency translation differences		-	(13)	(13)	-	(13)
Total comprehensive income for the year		-	7,347	7,347	(1)	7,346
Dividends	12	-	(40)	(40)	(581)	(621)
Acquisition of non-controlling interest		-	(2,173)	(2,173)	(126)	(2,299)
Other movements		-	240	240	(240)	-
Balance at 31 March 2023		250	111,994	112,244	660	112,904

BALMORAL GROUP HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2021		250	15,831	16,081
Year ended 31 March 2022:				
Profit and total comprehensive income for the year		-	3,522	3,522
Balance at 31 March 2022		250	19,353	19,603
Year ended 31 March 2023:				
Profit and total comprehensive income for the year		-	46,229	46,229
Dividends	12	-	(40)	(40)
Balance at 31 March 2023		250	65,542	65,792

BALMORAL GROUP HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	£'000	2022 £'000	£'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	35		20,073		(13,530)
Interest paid and exchange losses			(397)		(735)
Income taxes refunded			575		78
Net cash inflow/(outflow) from operating activities			20,251		(14,187)
Investing activities					
Proceeds on disposal of subsidiary			-	8,977	
Purchase of intangible assets		(617)		(235)	
Purchase of tangible fixed assets		(3,646)		(4,544)	
Proceeds on disposal of tangible fixed assets		287		1,385	
Purchase of investment property		(1,353)		-	
Interest received and exchange gains		1,091		57	
Net cash (used in)/generated from investing activities			(4,238)		5,640
Financing activities					
Proceeds from issue of shares		3		-	
Repayment of borrowings		(13,468)		(1,926)	
Payment of finance leases obligations		(741)		(1,985)	
Purchase of shares in subsidiary from non-controlling interest		(2,302)		-	
Dividends paid to equity shareholders		(40)		-	
Dividends paid to non-controlling interests		(581)		-	
Net cash used in financing activities			(17,129)		(3,911)
Net decrease in cash and cash equivalents			(1,116)		(12,458)
Cash and cash equivalents at beginning of year			24,747		37,205
Cash and cash equivalents at end of year			23,631		24,747
Relating to:					
Cash at bank and in hand			24,271		25,365
Bank overdrafts included in creditors payable within one year			(640)		(618)

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Balmoral Group Holdings Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Balmoral Park, Loirston, Aberdeen, AB12 3GY. The principal activities of the group and the nature of its operations are set out in the strategic report on page 2.

The group consists of Balmoral Group Holdings Limited and all of its subsidiaries.

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 £'000.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments (where relevant) and investment properties at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102 and has taken advantage of the exemption available from the requirement to present a company only cash flow statement and related notes and disclosures.

1.2 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Balmoral Group Holdings Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

1.4 Going concern

The directors, having made due and careful enquiry whilst preparing forecasts, are of the opinion that the group has adequate working capital to execute its operations for twelve months from the date of signing these financial statements.

At the financial year end, the group had net current assets and net assets of £44.4m and £112.9m, respectively and cash of £24.3m. Net funds, comprising cash less debt, was £21.6m whilst the group also has a £13m revolving loan facility which is not currently drawn. Therefore, the group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries.

As part of the directors' assessment of going concern, detailed forecasts have been prepared for a period of at least twelve months from the date of approval of these financial statements. Having reviewed the results of the forecasts, taking account of reasonably possible downsides, the directors have made an informed judgement, at the same time as approving the financial statements, that there is a reasonable expectation the company has adequate resources to continue in operational existence for the foreseeable future.

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

1.5 Turnover

Turnover represents the amounts derived from the provision of goods and services to customers and the value of work carried out during the year net of trade discounts, VAT and sales related taxes.

Turnover for construction contracts is stated at the estimated stage of completion at the end of the reporting period, less amounts recognised in previous years. Turnover for other goods is recognised on delivery to the customer.

Rental income is recognised on a straight line basis over the period of the rental term.

1.6 Research and development expenditure

Expenditure on research activities is recognised in the statement of comprehensive income as an expense as incurred.

1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is between 10 to 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.8 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	4 to 12 years
Patents & licences	10 to 20 years

1.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Heritable land and buildings	20 to 50 years
Plant and vehicles	3 to 25 years
Office equipment etc	3 to 12 years

No depreciation is provided on heritable land.

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 recognised in the statement of comprehensive income.

1.10 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.11 Finance lease receivables

Leases where the group acts as lessor and in which the group transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. For finance leases, the group recognises in its balance sheet a finance lease asset equal to its net investment in the lease. This is defined as the lessor's gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the minimum lease payments receivable plus any unguaranteed residual value accruing to the lessor.

Initial direct cost of negotiating the lease are included in the measurement of the finance lease receivable and reduce income over the lease term. A profit or loss on disposal is recognised in the income statement upon entering into a finance lease for any difference between the present value of the minimum lease payments plus any unguaranteed residual values and the carrying value of the property derecognised.

After initial recognition, finance income is recognised within other operating income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease. Lease payments reduce the gross investment to reflect both repayment of principal and finance income. If the residual value used in the gross investment calculation changes significantly, the income allocation is revised and any gain or loss is recognised immediately in profit or loss.

1.12 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.13 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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 the statement of comprehensive income.

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 the statement of comprehensive income.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.14 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and 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. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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 the statement of comprehensive income. Reversals of impairment losses are also recognised in the statement of comprehensive income.

1.15 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as payments made on account in the balance sheet.

1.16 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash balances, call deposits, instant access liquidity funds, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.17 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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 the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

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 group 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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including certain creditors, bank loans and other borrowings, 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.18 Equity instruments

Equity instruments issued by the group 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 group.

1.19 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 profit and loss account 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 group'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 profit and loss account, 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 if, and only if, there is 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.

1.20 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

1.21 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.

1.22 Retirement benefits

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the period during which services are rendered by employees.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.23 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

1.24 Government grants

Government grants are included within the balance sheet and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.25 Foreign exchange

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments on consolidation, are translated into the group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the retranslation are recognised in other comprehensive income.

1.26 Exceptional items

Exceptional items disclosed in the statement of comprehensive income are those significant items which in management's judgement are highlighted by virtue of their size or incidence to enable a full understanding of the group's financial performance. Such items are included within the profit and loss caption to which they relate.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Lease classification

Critical accounting judgements include determining whether leases (where the company acts as either lessor or lessee) are financial or operating leases.

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.

Accounting for construction contracts

The key assumptions used in arriving at the turnover from construction contracts and the value of construction contract debtors are:

- the margin expected to be generated on specific contracts;
- for construction contracts in foreign currencies the exchange rate used; and
- estimated stage of completion.

The margins are assessed on a contract by contract basis. The exchange rate is the average exchange rate at the balance sheet date unless the future income has been hedged.

The carrying value of amounts recoverable on contract at the reporting date is outlined at note 20. Revenue recognised in the reporting period is outlined at note 3.

Fair value of investment property

The fair value of investment property involves estimation uncertainty. In making fair value assessments the directors consider where appropriate annual valuations performed by external, independent valuers.

The fair value of investment property at the reporting date is outlined at note 15.

Depreciation - useful life and residual value of tangible fixed assets

The depreciation of tangible fixed assets is a key area of estimation. The useful life and residual value of fixed assets is considered and a depreciation rate applied accordingly. Details of the depreciation policies applied can be found in the accounting policies section of the notes to the financial statements.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover and other revenue

	2023	2022
	£'000	£'000
Turnover analysed by class of business		
Manufacturing goods	133,160	104,056
Equipment rental and other services	598	8,524
Property related and rental services	2,344	681
	<u>136,102</u>	<u>113,261</u>

	2023	2022
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	35,720	49,362
Europe	11,987	15,546
Americas	68,531	40,088
Rest of world	19,864	8,265
	<u>136,102</u>	<u>113,261</u>

	2023	2022
	£'000	£'000
Other operating income		
Finance lease income	950	964
Fair value adjustment for investment properties	(240)	35
Gain on sale of assets	-	834
Other including insurance proceeds	-	245
	<u>710</u>	<u>2,078</u>

4 Exceptional items and discontinued operations

	2023	2022
	£'000	£'000
Exceptional expenditure		
Legal costs in connection with dispute with minority shareholders of a group subsidiary	-	341
	<u>-</u>	<u>341</u>

Discontinued operations

On 10 November 2021 the group disposed of its 70% shareholding in its subsidiary Alfred Cheyne Engineering Limited (ACE). Cash proceeds of £8,977k were received, net of those cash balances which formed part of the disposal and related transaction costs. A loss on disposal of this operation, including related costs, of £3,215k was reflected in the prior year. The results of ACE during the period of the prior year it was owned by the group have been presented as discontinued operations.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5 Operating profit	2023	2022
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	1,194	730
Government grants	(83)	(83)
Research and development tax credits	(288)	(297)
Depreciation of owned tangible fixed assets	4,396	5,526
Depreciation of tangible fixed assets held under finance leases	458	689
Loss/(profit) on disposal of tangible fixed assets	36	(834)
Amortisation of intangible assets	532	275
Operating lease charges	250	244
	<u> </u>	<u> </u>

6 Auditor's remuneration	2023	2022
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	22	16
Audit of the financial statements of the company's subsidiaries	102	99
	<u> </u>	<u> </u>
	124	115
	<u> </u>	<u> </u>
For other services		
Audit-related assurance services	15	-
Taxation compliance services	-	21
All other non-audit services	-	30
	<u> </u>	<u> </u>
	15	51
	<u> </u>	<u> </u>

7 Employees

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

	Group		Company	
	2023	2022	2023	2022
	Number	Number	Number	Number
Management and administration	197	208	26	18
Production	384	368	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	581	576	26	18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

7 Employees (Continued)

Their aggregate remuneration comprised:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Wages and salaries	22,354	19,901	1,751	1,381
Social security costs	2,475	2,144	229	171
Pension costs	1,282	1,229	80	63
	<u>26,111</u>	<u>23,274</u>	<u>2,060</u>	<u>1,615</u>

Wages and salary costs in the prior period are stated net of £457k relating to payments received under the UK Government's Job Retention Scheme.

8 Directors' remuneration

	2023	2022
	£'000	£'000
Remuneration for qualifying services	1,008	984
Amounts receivable under long term incentive schemes	22	20
	<u>1,030</u>	<u>1,004</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023	2022
	£'000	£'000
Remuneration for qualifying services	<u>514</u>	<u>472</u>

9 Interest receivable and similar income

	2023	2022
	£'000	£'000
Interest income		
Interest on bank deposits	166	42
Other interest income	5	3
Exchange differences	920	12
Total income	<u>1,091</u>	<u>57</u>

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Interest payable and similar expenses

	2023	2022
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	345	517
Other finance costs:		
Interest on finance leases and hire purchase contracts	52	125
Exchange differences on financing transactions	-	93
Total finance costs	<u>397</u>	<u>735</u>

11 Taxation

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	1,125	249
Adjustments in respect of prior periods	56	(255)
Total current tax	<u>1,181</u>	<u>(6)</u>
Deferred tax		
Origination and reversal of timing differences	698	(824)
Changes in tax rates	-	2,155
Adjustment in respect of prior periods	(217)	623
Total deferred tax	<u>481</u>	<u>1,954</u>
Total tax charge	<u>1,662</u>	<u>1,948</u>

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

11 Taxation

(Continued)

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

	2023 £'000	2022 £'000
Profit/(loss) before taxation	9,021	(1,336)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	1,714	(254)
Expenses not deductible for tax purposes	125	26
Utilisation of losses	-	(309)
Prior year adjustment in respect of current tax	55	(255)
Rate change adjustment in respect of deferred tax	155	1,901
Fixed asset timing differences	16	(385)
R&D and patent box tax reliefs	(142)	(51)
Prior year adjustment in respect of deferred tax	(217)	623
Overseas tax rate	-	24
Sale of subsidiary	-	628
Chargeable gains/(losses)	(161)	-
R&D expenditure credits	58	-
Deferred tax not recognised	59	-
Taxation charge	1,662	1,948

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 group's future tax charge in the UK and as the 25% tax rate was substantively enacted prior to the reporting date with deferred tax unwinding after 1 April 2023, deferred tax has been calculated at 25% as opposed to the current tax rate of 19%.

12 Dividends

	2023 £'000	2022 £'000
Recognised as distributions to equity holders:		
Interim paid	40	-

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Intangible fixed assets

Group	Goodwill	Software	Patents & licences	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2022	1,857	4,021	261	6,139
Additions	-	617	-	617
At 31 March 2023	1,857	4,638	261	6,756
Amortisation and impairment				
At 1 April 2022	896	3,198	96	4,190
Amortisation charged for the year	202	307	23	532
At 31 March 2023	1,098	3,505	119	4,722
Carrying amount				
At 31 March 2023	759	1,133	142	2,034
At 31 March 2022	961	823	165	1,949
Company				Software
				£'000
Cost				
At 1 April 2022 and 31 March 2023				7
Amortisation and impairment				
At 1 April 2022				4
Amortisation charged for the year				1
At 31 March 2023				5
Carrying amount				
At 31 March 2023				2
At 31 March 2022				3

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Tangible fixed assets

Group	Heritable land and buildings £'000	Plant and vehicles £'000	Office equipment etc £'000	Total £'000
Cost				
At 1 April 2022	37,640	49,682	3,237	90,559
Additions	1,516	1,917	213	3,646
Disposals	(71)	(299)	(4)	(374)
Transfer to investment property	(665)	-	-	(665)
Exchange adjustments	(1)	-	-	(1)
At 31 March 2023	38,419	51,300	3,446	93,165
Depreciation and impairment				
At 1 April 2022	7,602	27,402	2,584	37,588
Depreciation charged in the year	1,265	3,373	216	4,854
Eliminated in respect of disposals	(74)	(228)	(4)	(306)
Transfer to investment property	(162)	-	-	(162)
At 31 March 2023	8,631	30,547	2,796	41,974
Carrying amount				
At 31 March 2023	29,788	20,753	650	51,191
At 31 March 2022	30,038	22,280	653	52,971
Company				
				Plant and vehicles £'000
Cost				
At 1 April 2022				172
Additions				19
At 31 March 2023				191
Depreciation and impairment				
At 1 April 2022				117
Depreciation charged in the year				38
At 31 March 2023				155
Carrying amount				
At 31 March 2023				36
At 31 March 2022				55

The group's heritable land and buildings includes land which is not depreciated of £8,675k (2022 - £8,598k).

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Plant and vehicles	3,571	7,955	-	-
	<u>3,571</u>	<u>7,955</u>	<u>-</u>	<u>-</u>

The depreciation charge for the year includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Plant and vehicles	458	689	-	-
	<u>458</u>	<u>689</u>	<u>-</u>	<u>-</u>

15 Investment property

	Group	Company
	2023	2023
	£'000	£'000
Fair value		
At 1 April 2022	8,246	-
Additions	1,353	-
Disposals	(255)	-
Transfer from tangible fixed assets	503	-
Revaluation loss	(240)	-
At 31 March 2023	<u>9,607</u>	<u>-</u>

The fair value of the group's investment property is based on an annual valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation ranging between 3% and 11%.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Finance lease receivables

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Reconciliation of movements in the year				
Balance at 1 April	14,394	14,329	-	-
Net interest capitalised	115	65	-	-
Balance at 31 March	<u>14,509</u>	<u>14,394</u>	<u>-</u>	<u>-</u>
Gross amounts receivable under finance leases:				
Within one year	835	835	-	-
In two to five years	3,565	3,476	-	-
In over five years	46,812	47,736	-	-
	<u>51,212</u>	<u>52,047</u>	<u>-</u>	<u>-</u>
Unearned finance income	<u>(36,703)</u>	<u>(37,653)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments receivable	<u>14,509</u>	<u>14,394</u>	<u>-</u>	<u>-</u>
The present value is receivable as follows:				
Within one year	(123)	(115)	-	-
In two to five years	(344)	(406)	-	-
In over five years	14,976	14,915	-	-
	<u>14,509</u>	<u>14,394</u>	<u>-</u>	<u>-</u>

There are no contingent rents, purchase or renewal options or material unguaranteed residual values accruing to the benefit of the lessor.

The fair market value of fixed assets leased outside the Balmoral Group and the book value of the assets is set out below:

	£'000
Investment properties	9,607
Finance lease receivables	<u>14,509</u>
Book value at 31 March 2023	<u>24,116</u>
Fair value at 31 March 2023	25,145

The fair market values are based on either an annual valuation by an external, independent valuer or on direct valuation. The difference in values arises from finance lease receivables not being revalued in the financial statements.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Fixed asset investments

	Notes	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Investments in subsidiaries	18	-	-	19,987	17,685

Movements in fixed asset investments

Company	Shares in subsidiaries £'000
Cost or valuation	
At 1 April 2022	17,685
Additions	2,302
At 31 March 2023	19,987
Carrying amount	
At 31 March 2023	19,987
At 31 March 2022	17,685

The increase in the company's investment in subsidiary undertakings relates to the acquisition of shares from non-controlling interests in the company's subsidiary, Balmoral Comtec Limited.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

18 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Balmoral Industrial Tanks Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Non-trading	Ordinary	-	100
Balmoral Park Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Property Development company	Ordinary	100	-
Balmoral Comtec Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Manufacture of buoyancy and advanced composite products	Ordinary	98	-
Balmoral Offshore Industria de Plasticos Ltda	Rua Da Aldeia, 76, LJ13, Centro Commercial Da Aldeia, Parque Residencial Laranjeiras, Serra, ES, CEP 29165-905	Dormant	Ordinary	-	100
Balmoral Offshore Inc	6363 Woodway, Suite 100, Houston, Texas 77057	Sales Office	Ordinary	-	98
Balmoral Tanks Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Manufacture of tanks	Ordinary	100	-
Servomac Limited	Barrowfield Road, Thurnscoe, Rotherham, South Yorkshire, S63 0EW	Non-trading	Ordinary	-	100
Balmoral Employee Benefit Trustees Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Trustee	Ordinary	100	-
Balmoral Advanced Composites Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	-	98
Balmoral Composites Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	-	98
Balmoral Intellectual Properties Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
Balmoral Navigational Aids Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
Balmoral Polymer Engineering Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
Balmoral Webco Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
LBT Group Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
HB Horseley Bridge Tanks Limited	Barrowfield Road, Thurnscoe, Rotherham, South Yorkshire, S63 0EW	Dormant	Ordinary	100	-
Balmoral Tanks Ireland Limited	108 Q House, Furze Road, Sandyford, Dublin 18	Dormant	Ordinary	100	-
Kirkdale 2000 Limited	6 Elm Road, West Chirton North Industrial Estate, North Shields, Tyne and Wear, NE29 8SE	Dormant	Ordinary	-	98
Water Environmental Treatment Limited	Barrowfield Road, Thurnscoe, Rotherham, South Yorkshire, S63 0EW	Water treatment services	Ordinary	-	75
Blaze Holdco Limited	Laurencekirk Business Park, Laurencekirk, Aberdeenshire, AB30 1EY	Intermediate holding company	Ordinary	70	-
Blaze Manufacturing Solutions Limited	Laurencekirk Business Park, Laurencekirk, Aberdeenshire, AB30 1EY	Fire safety systems	Ordinary	-	70
Balmoral Renewables Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100	-
Balmoral Tanks, Inc	108 Lake Land Ave, Dover, Delaware 19901, United States	Dormant	Ordinary	-	100

Servomac Limited and Balmoral Industrial Tanks Limited have taken exemption from the requirement to have their individual financial statements audited. The exemption is available under section 479A of the Companies Act 2006.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

19 Stocks

	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Raw materials and consumables	5,390	4,907	-	-
Work in progress	2,462	3,069	-	-
Finished goods and goods for resale	1,202	1,219	-	-
	<u>9,054</u>	<u>9,195</u>	<u>-</u>	<u>-</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £62,938k (2022 - £38,259k).

20 Debtors

	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Amounts falling due within one year:				
Trade debtors	30,797	32,472	-	8
Gross amounts owed by contract customers	12,466	14,065	-	-
Corporation tax recoverable	-	1,338	-	-
Amounts owed by group undertakings	-	-	8,702	22,211
Other debtors	1,483	2,411	341	427
Prepayments and accrued income	2,192	1,691	188	57
	<u>46,938</u>	<u>51,977</u>	<u>9,231</u>	<u>22,703</u>
Amounts falling due after more than one year:				
Trade debtors	195	278	-	-
Amounts owed by group undertakings	-	-	36,985	-
	<u>195</u>	<u>278</u>	<u>36,985</u>	<u>-</u>
Deferred tax asset (note 25)	-	-	32	30
	<u>195</u>	<u>278</u>	<u>37,017</u>	<u>30</u>
Total debtors	<u>47,133</u>	<u>52,255</u>	<u>46,248</u>	<u>22,733</u>

Amounts owed by group undertakings are unsecured and interest free and include £36,985k (2022 - £nil) falling due for repayment after more than one year with the balance repayable on demand.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

21 Creditors: amounts falling due within one year

	Notes	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Bank loans and overdrafts	23	640	14,168	-	-
Obligations under finance leases	24	375	716	-	-
Other borrowings	23	1,168	1,085	1,153	1,070
Payments received on account		8,456	3,793	-	-
Trade creditors		14,058	15,363	147	39
Amounts owed to group undertakings		-	-	1	26,772
Corporation tax payable		120	-	-	-
Other taxation and social security		1,311	421	111	138
Other creditors		1,352	3,796	18	21
Accruals and deferred income		8,562	7,700	110	279
		<u>36,042</u>	<u>47,042</u>	<u>1,540</u>	<u>28,319</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

22 Creditors: amounts falling due after more than one year

	Notes	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Obligations under finance leases	24	273	673	-	-
Other borrowings	23	280	280	-	-
Government grants	26	500	583	-	-
		<u>1,053</u>	<u>1,536</u>	<u>-</u>	<u>-</u>

23 Loans and overdrafts

	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Bank loans	-	13,550	-	-
Bank overdrafts	640	618	-	-
Other borrowings	1,448	1,365	1,153	1,070
	<u>2,088</u>	<u>15,533</u>	<u>1,153</u>	<u>1,070</u>
Payable within one year	1,808	15,253	1,153	1,070
Payable after one year	280	280	-	-

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

23 Loans and overdrafts

(Continued)

During the current year the group's bank loan facility was settled and replaced with a new revolving credit facility with a term to August 2025. The revolving credit facility remains undrawn at the reporting date.

Bank loans and overdrafts are secured over the assets of one of the UK subsidiaries.

Other borrowings due within one year are interest free loans from a shareholder. Other borrowings due after one year are from minority shareholders in a subsidiary and are repayable on the sale of the subsidiary or in April 2024. Interest is paid on the balance based on bank base rates.

The manufacturing businesses have facilities to issue bank guarantees and performance bonds which are secured by floating charges over the assets of the companies to which the facilities are available to.

24 Finance lease obligations

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Future minimum lease payments due under finance leases:				
Within one year	375	716	-	-
In two to five years	273	673	-	-
	<u>648</u>	<u>1,389</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain plant and vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All obligations under finance leases and hire purchase contracts are repayable within five years.

Obligations under finance leases are secured against the underlying asset concerned and are repayable within five years.

25 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities	Liabilities	Assets	Assets
	2023	2022	2023	2022
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	4,620	4,105	-	-
Tax losses	(187)	-	-	-
Chargeable gains	3,402	-	-	-
Other timing differences	(35)	3,214	-	-
	<u>7,800</u>	<u>7,319</u>	<u>-</u>	<u>-</u>

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

25 Deferred taxation (Continued)

	Liabilities 2023 £'000	Liabilities 2022 £'000	Assets 2023 £'000	Assets 2022 £'000
Company				
Accelerated capital allowances	-	-	30	30
Other timing differences	-	-	2	-
	<u>-</u>	<u>-</u>	<u>32</u>	<u>30</u>
			Group 2023 £'000	Company 2023 £'000
Movements in the year:				
Liability/(Asset) at 1 April 2022			7,319	(30)
Charge/(credit) to profit or loss			481	(2)
			<u>7,800</u>	<u>(32)</u>

	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
26 Government grants				
Arising from government grants	500	583	-	-

	2023 £'000	2022 £'000
27 Retirement benefit schemes		
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,282	1,229

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the reporting date, contributions totalling £154k (2022 - £151k) were payable to the scheme and are including within creditors due within one year.

	2023 Number	2022 Number	2023 £'000	2022 £'000
28 Share capital				
Group and company				
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	250,000	250,000	250	250

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

28 Share capital

(Continued)

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

29 Reserves

Profit and loss reserves

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

30 Financial commitments, guarantees and contingent liabilities

There are contingent liabilities arising from contractual obligations entered into in the normal course of business including, at the balance sheet date, £6,438k (2022 - £6,335k) in respect of contract performance and tender guarantees issued by the group's bankers and insurers.

31 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Within one year	228	293	-	-
Between two and five years	157	237	-	-
	<u>385</u>	<u>530</u>	<u>-</u>	<u>-</u>

Lessor

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Within one year	554	331	-	-
Between two and five years	1,455	320	-	-
In over five years	4,647	308	-	-
	<u>6,656</u>	<u>959</u>	<u>-</u>	<u>-</u>

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

32 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Acquisition of tangible fixed assets	531	1,337	-	3

33 Related party transactions

The company has taken advantage of the exemptions available under FRS 102 from disclosing transactions with its subsidiary undertakings where 100% of the voting rights are controlled within the group.

The company has recharged administration costs to Balmoral Comtec Limited, its subsidiary, amounting to £2,953k (2022 - £2,477k). £10,240k was owed by Balmoral Comtec Limited at 31 March 2023 (2022 - £26,644k (owed to)).

The company was owed £2,016k (2022 - £1,708k) by Blaze Manufacturing Solutions Limited and its Parent Blaze Holdings Limited at 31 March 2023.

Transactions with key management personnel

The compensation of key management personnel of the group (including directors and the senior executive management team) in the year amounted to £1,790k (2022 - £2,323k).

At 31 March 2023 Sir JS Milne CBE had advanced the group an unsecured interest free loan, with no fixed repayment dates of £1,153k (2022 - £1,070k). The maximum loan in the year was £1,201k.

Transactions with other related parties

Sir JS Milne CBE is a trustee and grantor and WE Main a trustee of the Milne Family Foundation and of the Friends of ANCHOR Trust. During the year the total donations to this trust was as follows:

	2023	2022
	£'000	£'000
Group		
The Milne Family Foundation	1,968	1,689

In addition the Company paid the administrative costs of Friends of ANCHOR Trust which amounted to £303k (2022 - £250k).

34 Controlling party

The ultimate controlling party is Sir J S Milne CBE.

BALMORAL GROUP HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

35 Cash generated from/(absorbed by) group operations

	2023 £'000	2022 £'000
Profit/(loss) for the year after tax	7,359	(3,284)
Adjustments for:		
Taxation charged	1,662	1,948
Finance costs	397	735
Investment income	(1,091)	(57)
Loss/(gain) on disposal of tangible fixed assets	36	(834)
Amortisation and impairment of intangible assets	532	275
Depreciation and impairment of tangible fixed assets	4,854	6,215
Foreign exchange (gain)/losses	(12)	16
Change in fair value of investment properties	240	(35)
Research and development expenditure credit	(298)	(297)
Finance lease receivable net interest capitalised	(115)	(65)
Loss on disposal of subsidiary	-	3,215
Amortisation of capital grants	(83)	(83)
Movements in working capital:		
Decrease/(increase) in stocks	141	(4,364)
Decrease/(increase) in debtors	3,784	(25,300)
(Decrease)/increase in creditors	(2,858)	8,131
Increase/(decrease) in payments made on account	4,663	(5,659)
Increase in accruals and deferred income	862	5,913
Cash generated from/(absorbed by) operations	<u>20,073</u>	<u>(13,530)</u>

36 Analysis of changes in net funds - group

	1 April 2022 £'000	Cash flows 31 March 2023	
		£'000	£'000
Cash at bank and in hand	25,365	(1,094)	24,271
Bank overdrafts	(618)	(22)	(640)
	<u>24,747</u>	<u>(1,116)</u>	<u>23,631</u>
Borrowings excluding overdrafts	(14,900)	13,468	(1,432)
Obligations under finance leases	(1,389)	741	(648)
	<u>8,458</u>	<u>13,093</u>	<u>21,551</u>