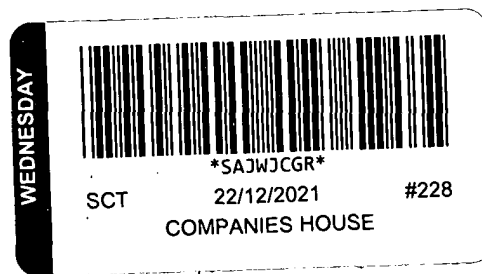


# BALMORAL GROUP HOLDINGS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31st March 2021

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# **BALMORAL GROUP CORE VALUES**

The values described below apply to employee relationships with all customers and suppliers – whether that is within Balmoral Group or with the company's highly valued client base.

## **Customer focus**

Leading and working together as a team to deliver high quality products on time at the best possible price with no surprises.

## **Respect**

Treating clients, colleagues and suppliers as we wish to be treated ourselves, with respect and decency.

## **Integrity**

Reliability, flexibility, honesty, openness and fairness. Supporting clients, colleagues and suppliers at all times with a focus on the common end goal.

## **Accountability**

Being proactive in setting and achieving objectives. Taking responsibility in one's role and enhancing the company reputation at all times.

## **Innovation**

A commitment to the company's philosophy of innovation, continuous improvement and clear communication, internally and externally.

## **Motivation**

Maintaining a focus on aligning efforts and energy to achieve common goals, ie, successful projects. Constantly seeking to add value.

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## Balmoral Group Holdings Limited

### Balmoral Comtec Limited

- Balmoral
- Balmoral Subsea Test Centre
- Balmoral Advanced Composites
- Balmoral Offshore Inc (Houston)

### Balmoral Tanks Limited

- Cylindrical tanks
- Epoxy coated steel tanks
- Glass fused to steel tanks
- GRP sectional tanks
- Legionella compliance and water industry services

### Balmoral Park Limited

### Blaze Manufacturing Solutions

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**Established in 1980 by chairman and managing director, Jim Milne CBE, Balmoral Group is an independent company comprising several operating divisions.**

The company has earned a reputation as an innovator across its markets and continues to enjoy success around the world.

With approximately 750 people on its books Balmoral is committed to its philosophy of R&D, continuous improvement and client collaboration, spanning all operating divisions, to bring forward technology-led product solutions.

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# **BALMORAL GROUP HOLDINGS LIMITED**

## Operating sustainably

Balmoral Group is fully compliant with environmental regulations and recognised industry standards. The company acknowledges that environmental factors form an integral part of its business responsibilities and enable the company to demonstrate an ethical, effective and sustainable approach to all operations.

It is also recognised that provision must be made to accommodate the needs of future generations. To do this, Balmoral continually evolves its processes and services, obtains optimum return on resources and is proactive and systematic in appraising environmental performance.

As a result, the company's environmental obligations are a fundamental part of its culture and the basis of the formation of the in-house Sustainability Training and Action Group (STAG).

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### Balmoral Comtec Ltd

Recognised as an innovator in its field, Balmoral Comtec delivers an expansive range of solutions based on its comprehensive experience of advanced composite materials, surface and subsurface buoyancy systems, subsea protection and thermal insulation products.

Complementing the company's purpose-built production facilities and subsea test centre, the highly experienced R&D, technical, engineering, commercial and HSE departments all play their part in delivering successful global projects on time and on budget.

Providing added value from concept development through detailed design, manufacturing and testing, the team at Balmoral helps its clients achieve their full project potential, safely and cost-effectively.

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### Balmoral Tanks Ltd

Providing a fully comprehensive portfolio of liquid storage solutions, Balmoral Tanks is recognised as one of the most innovative tank design and manufacturing companies in the world.

A purpose-built factory in South Yorkshire was commissioned in 2018 and complemented by the addition of a £10m production line which began operations in 2020 while the South Wales facility has been running since 2012.

Civil engineering, firefighting, potable/non-potable water, anaerobic digestion, wastewater, desalination and drainage are key sectors for the company where it provides glass fused to steel (GFS), epoxy coated, GRP sectional and cylindrical steel tanks.

Subsidiary, Water Environment Treatment Limited, offers water quality testing and treatment services.

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### Balmoral Park Ltd

Balmoral Park is the company's property development and management arm. Covering some 18 acres Balmoral Business Park in Aberdeen is home to three auto dealerships; Audi, Mini and Nissan, and features a 40,500sqft high-specification office pavilion.

Housed in the pavilion is the @BalmoralHUB, home to executive office space, meeting rooms and co-working facilities for up to 50 businesses. Administered by Elevator, a social enterprise dedicated to supporting entrepreneurs, business leaders and employees, its state-of-the-art design and layout actively promotes innovation and a collaborative culture.

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### Blaze Manufacturing Solutions

Established in 2006, Blaze provides fire safety protection, detection and loss prevention solutions for harsh and challenging environments in the oil & gas, renewable energy, mining, commercial and industrial sectors.

This involves everything from front-end definition of concepts, detailed design, supply and installation and the commissioning and maintenance of active fire extinguishing systems and fire alarm systems on a global basis.

The company's integrated fire safety solutions improve plant safety and business performance and, for clients with established infrastructure, Blaze provides service and maintenance, retrofit design services and installation.

To maintain and strengthen its sector-leading position Blaze continues to invest heavily in research and development of innovative safety equipment.

Each of the above businesses is run by defined management and operations teams that are wholly responsible for their unit's profit and loss activity. All personnel are committed to the company's core values of customer focus, respect, integrity, accountability, innovation and motivation and its philosophy of continuous improvement.

The year to March 2021 was a challenging year for everyone as we dealt with the impacts of the global pandemic. Given the difficult operating conditions I am pleased to report that our turnover of £127m was only 7% down on the previous year. We were also able to deliver operating profits of £8.9m thanks to the hard work of everyone across the Group and the significant order backlog that our Aberdeen operations started the year with.

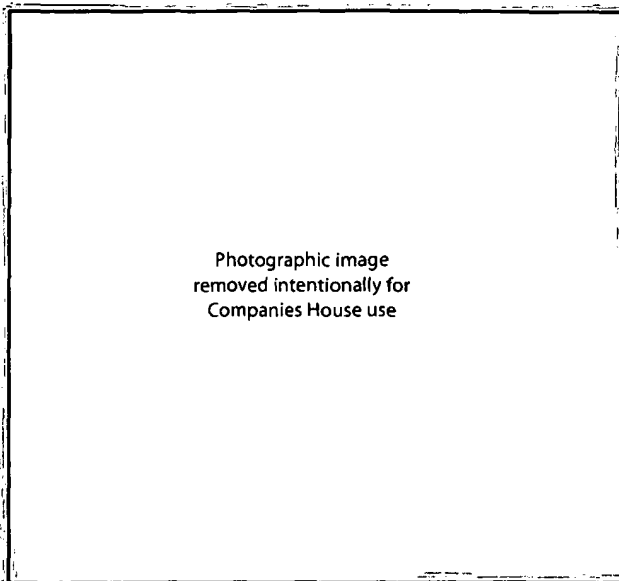
During the year our Aberdeen business won its first orders for our patented cable protection systems for the offshore wind sector which have now been successfully installed. We have also won orders, since the year end, for floating offshore wind which allows us to transition our vast experience in oil & gas into the renewables sector. We are developing further products for this exciting sector that will see significant investment in the decade ahead.

As mentioned above, our Aberdeen facility began the year with a large order backlog which we were able to produce in line with our customers' expectations in a COVID-safe manner. In the second half of the year activity fell as a result of delayed projects caused by the fall in the price of oil.

The Tanks business dealt well with the partial shutdown of construction sites caused by COVID in the first half of the year and saw a busier, but still below pre-pandemic levels, second half year. In the current year we have increased our sales in the anaerobic digester market and are confident that this is another fast growing sector of the renewables industry that will help drive our growth.

The ACE Winches management team delivered excellent results and the business benefitted from a large one-off project. This was despite the difficulties caused by a dispute with the minority shareholders of the business. Following year end the minority shareholders bought back our shareholding in line with the investment agreement.

We have seen an increase in the levels of activity across all business units in the second half of 2021. In common with most businesses we have also faced challenges with logistics as well as the availability and increasing cost of raw materials. To date we have been able to deal with the logistics and availability challenges while still meeting customer delivery requirements. The increase in the price of raw materials has impacted our profitability on work that has already been contracted.



During the year we faced many difficult challenges and much of the time this had to be dealt with remotely as the office-based staff worked from home. In our factories we had to adjust our working practices to stay COVID free. As ever I would like to thank all staff for the superb effort that they have been putting in. We are now learning how to live with the pandemic; since March 2020 all staff have done a fantastic job in adapting the way they work to both stay safe and deliver their input to the business.

We continue to support many charities around the world as well as Friends of ANCHOR in Aberdeen. Fundraising activities have been curtailed because of the pandemic as has the support and services that the Friends of ANCHOR team has been able to offer. We kept the whole team employed throughout the period and have been very impressed by the innovative ways that they have been able to support patients and staff of the ANCHOR unit.

2020/21 saw our 40th anniversary as a business and it proved to be as challenging a year as any we have experienced. With a strong balance sheet, plenty of liquidity and great management and staff we were able to deal with the challenges successfully. We are now well positioned to meet the increased levels of activity being seen in the markets in which we operate.

J S Milne CBE | Chairman | 15 December 2021

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# CHAIRMAN'S STATEMENT

The directors present their strategic report for the year ended 31 March 2021. This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Balmoral Group Holdings Limited and its subsidiary undertakings when viewed as a whole.

#### Principal activities

The Group is involved in the design and manufacture of a range of products, the hire of equipment 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 rental and property related.

#### Manufacturing and rental 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. This business saw a slowdown in activity in the second half of the year as the order backlog built up pre COVID was completed. As a result both turnover and operating profits fell by some 20%.

Our Tanks business operate from factories in Thurnscoe, South Yorkshire and Llantrisant, South Wales. This business has seen very significant investment over the past four years as we continue to consolidate our position as a world class manufacturer. In many ways this has been a business start-up and as a result of the global pandemic turnover in the year fell as construction sites were closed in the first half year. The business has however been able to iron out the inevitable start up issues with a new facility and operating losses were reduced in the year.

The ACE business designs, manufactures and rents lifting, pulling and deploying solutions for customers worldwide. The business has traded profitably since we acquired a majority stake in 2019. In the year both turnover and profitability was boosted by a large one off contract: Blaze Manufacturing Solutions also 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. We are seeing an increase in activity levels as COVID restrictions ease. As set out below, subsequent to the year end, the Group has disposed of its entire shareholding in ACE.

#### Property

The Aberdeen commercial property market remained difficult with an over supply of new office space and a large number of older offices available. Some of the older units are being demolished to reduce the burden of rates. We further increased the space committed to @BalmoralHUB, and saw the occupancy rates increase. During the year we saw a net revaluation deficit of £1,200,000, as the impacts of COVID further increased pressure on the market.

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 an 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 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 fell by 7% to £127m, there was an operating profit of £9.0m and working capital excluding cash reduced by £13.0m.

This was achieved despite the impacts of the global pandemic on all our business units. We have taken action to size our cost base to the available market size across all business units. We saw a decrease in working capital in the year as a result of the completion of several large manufacturing contracts.

#### Statement relating to the Directors' responsibilities 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 of or senior

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# STRATEGIC REPORT

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.

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.

**Principal risks and uncertainties**

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

**Raw material availability and prices** 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 and any shortages of supply required to manufacture may lead to volatile changes in raw material prices.

**Commodity prices** The Group's activities are affected by certain commodity prices, being oil and gas and, to a lesser extent, the price of steel. The movements in price of these commodities has a direct impact on the number of projects which receive sanction from the oil and gas operating companies which in turn affect the number of projects on the order books of our principal clients, the offshore contractors.

**Foreign exchange fluctuations** The Group is exposed to foreign exchange risk, in particular in relation to the US dollar and the Euro. The Group monitors exchange rates 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 forward currency contracts.

**Future developments**

The Group's businesses continued to be impacted by the effects of COVID-19. As noted in the Chairman's statement we have worked with all stakeholders to minimize the impacts on the business and have the financial strength to deal with the issues faced. As set out in note 1, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of these financial statements.

Subsequent to the year end, the Group has disposed of its entire shareholding in Alfred Cheyne Engineering Limited. No material gain or loss arose on disposal.



By order of the board

WE Main | 15 December 2021

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# STRATEGIC REPORT

## CONTINUED

The directors present their annual report and audited financial statements for the year ended 31 March 2021:

#### Financial

The Group made a profit for the financial year of £6,999,000 (2020: profit of £8,486,000). The directors recommend that no final dividend be paid (2020: £nil) and that the profit for the year be added to reserves carried forward.

#### Directors

The directors who held office during the year and up to the date of this report were as follows: • JS Milne • GJ Gerrard • WE Main • KW Binnie

The director retiring by rotation is GJ Gerrard who, being eligible, offers himself for re-election.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

#### Financial Instruments

Details of the Company's principal financial instruments, including external bank facilities, are set out in note 21 to the financial statements.

#### Engagement with employees, suppliers, customers and others

Direct personal communication with employees is an integral part of the Group's personnel 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 Group to develop a safe working environment and to offer equal opportunities to all seeking or maintaining employment with the Group, including offering employment to disabled persons with the appropriate skills and qualifications.

Relations with stakeholders are of strategic importance to the group and these matters are also dealt with in the Strategic Report (under section 172 obligations).

#### Energy use

The group's UK energy use was 26,958,000 KWh (2020: 28,739,000 KWh). This equates to the following levels of CO2 emissions by source.

tCO2e	2021	2020
Electricity	2,453	2,926
Gas	2,700	2,695
Transport	257	433
	5,410	6,054
Energy intensity Tonne CO2e per £m sales	43	44

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

Across the group we are reviewing our energy consumption to reduce the level of greenhouse gas emissions. We are at the early stages of our work on this and initial work centres on reducing out of hours energy consumption, replacing lighting with LED lights, reviewing controls on pumps and the possible use of heat recovery systems on gas ovens.

The information in this energy use statement is based on our Streamlined Energy and Carbon Reporting (SERC) Report.

#### 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 £2,325,000 (2020: £1,677,000). The Group made political donations in the year comprising Conservative Party £200,000 (2020: £10,000), Labour Party £18,000 (2020: £nil), Scotland in Union Organisation £10,000 (2020: £nil) and Liberal Democratic Party £5,000 (2020: £2,000).

#### Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### Disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



By order of the board  
WE Main | 15 December 2021

# DIRECTORS' REPORT

## Opinion

We have audited the financial statements of Balmoral Group Holdings Limited ("the company") for the year ended 31 March 2021 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Going concern

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

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

Our conclusions based on this work:

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

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

## Fraud and breaches of law and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to

commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

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

This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk that turnover and profit margin recognised over time is recorded in the wrong period. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unbalanced journals; revenue and cash journals posted to unrelated accounts; and journals with specific descriptions, which may indicate a fraud risk.
- For all full scope components, agreeing revenue accrued at year end to evidence of goods delivered or services performed in the year and re-performing, for a risk-based sample of fixed price contracts, the calculation of revenue recognised based on percentage of completion of costs, and comparing forecasts against contractual terms and correspondence with customers.

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

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

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

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

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF BALMORAL GROUP HOLDINGS LIMITED

companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

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

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

#### **Strategic report and directors' report**

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

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

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

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

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



**David Derbyshire (Senior Statutory Auditor)**

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants, 1 Marischal Square, Broad Street, Aberdeen AB10 1DD  
16 December 2021

# CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	2	127,089	137,156
Cost of sales		(95,774)	(109,690)
<b>Gross profit</b>		<b>31,315</b>	<b>27,466</b>
Administrative and selling expenses		(21,499)	(17,751)
Other operating (expense) income	6	(248)	73
Operating profit before exceptional costs		9,568	9,788
Exceptional items	7	(640)	-
<b>Operating profit</b>	3-5	<b>8,928</b>	<b>9,788</b>
Group share of profit in associate		-	39
Interest receivable and similar income	8	35	1,172
Interest payable and similar expenses	9	(1,847)	(694)
<b>Profit before taxation</b>		<b>7,116</b>	<b>10,305</b>
Tax on profit	10	(117)	(1,819)
<b>Profit for the financial year</b>		<b>6,999</b>	<b>8,486</b>
<b>Other comprehensive income</b>			
Foreign exchange differences on translation of subsidiaries		27	86
Other comprehensive income for the year, net of tax	20	27	86
<b>Total comprehensive income for the year</b>		<b>7,026</b>	<b>8,572</b>
<i>Profit for the financial year attributable to</i>			
Shareholders of the parent company		7,205	8,298
Minority interests		(206)	188
<b>Total profit</b>		<b>6,999</b>	<b>8,486</b>
<i>Total comprehensive income attributable to</i>			
Shareholders of the parent company		7,231	8,390
Minority interests		(205)	182
<b>Total comprehensive income</b>		<b>7,026</b>	<b>8,572</b>

# CONSOLIDATED AND COMPANY BALANCE SHEET

as at 31 March 2021

	Note	GROUP		COMPANY	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Fixed assets</b>					
Negative goodwill	11	(3,262)	(8,689)	-	-
Intangible assets	11	2,189	2,350	1	3
Tangible assets	12	73,405	81,162	90	128
Investment properties	13	8,211	9,411	-	-
Finance lease receivables	13	14,329	14,143	-	-
Investments	14	-	-	22,685	15,685
		<b>94,872</b>	<b>98,377</b>	<b>22,776</b>	<b>15,816</b>
<b>Current assets</b>					
Stocks	15	5,744	7,307	-	-
Debtors	16	37,195	61,451	20,298	25,112
Cash at bank and in hand		37,247	19,202	2,811	3,003
		<b>80,186</b>	<b>87,960</b>	<b>23,109</b>	<b>28,115</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(34,709)</b>	<b>(49,337)</b>	<b>(29,804)</b>	<b>(27,203)</b>
<b>Net current assets (liabilities)</b>		<b>45,477</b>	<b>38,623</b>	<b>(6,695)</b>	<b>912</b>
<b>Total assets less current liabilities</b>		<b>140,349</b>	<b>137,000</b>	<b>16,081</b>	<b>16,728</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(16,907)</b>	<b>(20,095)</b>	-	-
<b>Provisions for liabilities</b>	19	<b>(5,353)</b>	<b>(5,515)</b>	-	-
<b>Net assets</b>		<b>118,089</b>	<b>111,390</b>	<b>16,081</b>	<b>16,728</b>
<b>Capital and reserves</b>					
Called up share capital	20	250	250	250	250
Profit and loss account		110,344	103,113	15,831	16,478
<b>Equity attributable to the parent's shareholders</b>		<b>110,594</b>	<b>103,363</b>	<b>16,081</b>	<b>16,728</b>
<b>Minority interest</b>		<b>7,495</b>	<b>8,027</b>	-	-
<b>Shareholders' funds</b>		<b>118,089</b>	<b>111,390</b>	<b>16,081</b>	<b>16,728</b>

These financial statements were approved by the board of directors on 15 December 2021 and were signed on its behalf by:



JS Milne CBE | Chairman and Managing Director



WE Main | Group Finance Director

# STATEMENTS OF CHANGES IN EQUITY

	Called up share capital	Profit and loss account	Total Shareholders' equity	Minority Interest	Total equity
Consolidated statement of changes in equity	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	<b>250</b>	<b>94,723</b>	<b>94,973</b>	<b>1,450</b>	<b>96,423</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	8,298	8,298	188	8,486
Other comprehensive income (Note 20)	-	92	92	(6)	86
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,390</b>	<b>8,390</b>	<b>182</b>	<b>8,572</b>
Transactions with owners, recorded directly as equity					
On acquisition of subsidiary	-	-	-	6,395	6,395
Total contributions by and distributions to owners	-	-	-	6,395	6,395
<b>Balance at 31 March 2020</b>	<b>250</b>	<b>103,113</b>	<b>103,363</b>	<b>8,027</b>	<b>111,390</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	7,205	7,205	(206)	6,999
Other comprehensive income (Note 20)	-	26	26	1	27
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>7,231</b>	<b>7,231</b>	<b>(205)</b>	<b>7,026</b>
Transactions with owners, recorded directly as equity					
Dividend paid to minority shareholders	-	-	-	(327)	(327)
Total contributions by and distributions to owners	-	-	-	(327)	(327)
<b>Balance at 31 March 2021</b>	<b>250</b>	<b>110,344</b>	<b>110,594</b>	<b>7,495</b>	<b>118,089</b>

	Called up share capital	Profit and loss account	Total equity
Company statement of changes in equity	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	<b>250</b>	<b>15,567</b>	<b>15,817</b>
<b>Total comprehensive income for the year</b>			
Profit for the year	-	911	911
Total comprehensive loss for the year	-	911	911
<b>Balance at 31 March 2020</b>	<b>250</b>	<b>16,478</b>	<b>16,728</b>
<b>Total comprehensive income for the year</b>			
Loss for the year	-	(647)	(647)
Total comprehensive loss for the year	-	(647)	(647)
<b>Balance at 31 March 2021</b>	<b>250</b>	<b>15,831</b>	<b>16,081</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	2021 £'000	2020 £'000
<b>Cash flows from operating</b>		
Profit (loss) for the year	6,999	8,486
<i>Adjustments for:</i>		
Depreciation and impairment of tangible assets	12,033	5,680
Amortisation and impairment of intangibles	(4,971)	70
Foreign exchange (gains) losses	58	208
Research and development expenditure credit	(556)	(192)
Change in value of investment properties	1,200	869
Shares of results of associate	-	(39)
Finance lease receivable net interest capitalised	(186)	(176)
Interest receivable and similar income	(35)	(1,172)
Interest payable and similar expenses	1,847	694
Gain on sale of tangible fixed assets	(247)	64
Amortisation of capital grants	(99)	(94)
Taxation	117	1,819
	16,160	16,217
Decrease/(increase) in debtors	24,509	(14,379)
Decrease in stocks	1,563	2,447
(Decrease) in trade and other creditors	(12,683)	(3,746)
Decrease in payments made on account	927	(1,374)
Increase in accruals and deferred income	(1,341)	5,483
	29,135	4,648
Interest paid	(1,847)	(694)
Interest received	35	1,172
Tax paid	(38)	(703)
<b>Net cash from operating activities</b>	<b>27,285</b>	<b>(4,424)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	925	47
Acquisition of tangible fixed assets	(4,942)	(3,474)
Acquisition of investment properties	-	(3)
Acquisition of subsidiaries	-	(142)
Associate repayment of loans	-	750
Acquisition of intangible assets	(296)	(467)
<b>Net cash from investing activities</b>	<b>(4,313)</b>	<b>(3,289)</b>
<b>Cash flows from financing activities</b>		
Proceeds from new loan	-	15,925
Repayment of borrowings	(1,890)	(13,760)
Payment of finance lease liabilities	(2,593)	(2,301)
Dividends paid to minority shareholders	(327)	-
<b>Net cash from financing activities</b>	<b>(4,810)</b>	<b>(136)</b>
Net decrease in cash and cash equivalents	18,162	999
Cash and cash equivalents (including bank overdrafts) at 1 April	19,043	18,044
<b>Cash and cash equivalents (including bank overdrafts) at 31 March</b>	<b>37,205</b>	<b>19,043</b>

# NOTES

Forming part of the financial statements

## 1 Accounting policies

Balmoral Group Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. Its registered office is Balmoral Park, Loirston, Aberdeen, AB12 3GY.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: derivative financial instruments and investment properties.

### 1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 5. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

At the financial year-end, the Group had net current assets and net assets of £45.5m and £118.1m, respectively and cash of £37.2m. Net funds, comprising cash less debt, was £16.1m. The Group expects to extend or refinance its bank loan (note 18) before its maturity date in August 2022, in the ordinary course of its business. 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.

At the date of signing these financial statements, the COVID-19 outbreak continues to create uncertainty in global economies and the Group has adapted its business activities, in oil and gas, tanks and property development. In our factories and workplaces we have implemented, when required, government guidance on social distancing and in making the workplace "COVID-safe". These measures have allowed production to continue. However, the pandemic has impacted the Group by delaying and reducing some customer projects and in response the directors have taken actions to adjust the activity of the Group's businesses as required.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Reasonably possible downsides comprise additional projects being deferred and delays in cash receipts from customers.

Consequently, the directors are confident that the Group and the Company will have sufficient funds to continue to meet their liabilities 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.

### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

### 1.4 Foreign currency

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 profit and loss account 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.

### 1.5 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

### 1.6 Basic financial instruments

#### Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financial transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and instant access liquidity funds.

#### Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment in profit or loss.

### 1.7 Other financial instruments

#### Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for hedging instruments in a designated hedging relationship which shall be recognised as set out below.

#### Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged (see below).

#### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercises, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs; if the hedged transaction is no longer expected to take place, the cumulative unrealised gain in equity is recognised in the income statement immediately.

### 1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated 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.

Leases in which the Group assumes 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. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payment at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.20 below.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account 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:

• buildings	30 to 50 years
• hire plant and equipment	15 years
• plant and vehicles	3 to 12 years
• office equipment and fittings	3 to 7 years

No depreciation is provided on heritable land.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

### 1.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- no depreciation is provided in respect of investment properties applying the fair values model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

### 1.10 Financial lease receivable

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.

### 1.11 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.

### 1.12 Intangible assets, goodwill

#### Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

#### Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

#### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairments losses.

### 1.12 Intangible assets, goodwill (continued)

#### Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

Amortisation of software 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 for software is 4 years.

Patents are amortised on a straight line basis over their useful life. The finite useful life is estimated at 20 years.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

### 1.13 Government grants

Government Grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected

# NOTES Continued

useful lives of the assets to which they relate or in periods in which the related costs are incurred:

## 1.14 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 Group'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 accruals and deferred income in the balance sheets.

## 1.15 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 includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing 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.

## 1.16 Impairment excluding stocks and deferred tax assets

### Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

## 1.16 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 1.17 Employee benefits

### Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group 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 profit and loss account in the period during which services are rendered by employees.

## 1.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## 1.19 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.

Where items are sold from the rental fleet in the ordinary course of business, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales. Other disposals of tangible assets are recorded as a net gain or loss within operating profit.

## 1.20 Expenses

### Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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 profit and loss over the term of the lease as an integral part of the total lease expense.

### Financial 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.

### Interest receivable and interest payable

Interest payable and similar expenses include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and net foreign exchange losses.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

## 1.21 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses or other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## 1.22 Exceptional items

Exceptional items disclosed in the profit and loss 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.

## 2 Turnover

By geographical market	2021 £'000	2020 £'000
United Kingdom	35,882	31,466
Europe	12,371	12,206
Americas	44,914	74,508
Rest of world	33,922	18,976
	<b>127,089</b>	<b>137,156</b>
By class of business	2021 £'000	2020 £'000
Manufacturing – goods	111,004	129,564
Equipment rental and other services	15,464	6,769
Property related and rental – services	621	823
	<b>127,089</b>	<b>137,156</b>

## 3 Expenses and auditor's remuneration

Included in the profit (loss) are the following: <sup>3</sup>	2021 £'000	2020 £'000
Audit of these financial statements	16	24
Amounts receivable by the company's auditors in respect of		
Audit of financial statements of subsidiaries of the company	121	101
Tax compliance	33	34
Other services relating to taxation	19	35
Other assurance services	1	-
Operating lease rentals		
Land and buildings	139	170
Plant and machinery	119	112
Depreciation and amounts written off tangible fixed assets		
Owned	6,153	4,674
Leased	880	1,006
Impairment of tangible fixed assets	5,000	-
Amortisation and impairment of goodwill	(5,428)	(178)
Amortisation of intangible fixed assets other than goodwill	457	248
Research and development expenditure	762	768
Gain on sale of fixed assets	(248)	(64)
Government grants income (excluding Job Retention Scheme, Note 5)	(99)	(200)
Research and development expenditure credit	(281)	(192)

## 4 Directors' remuneration

	2021 £'000	2020 £'000
Emoluments as executives	1,022	995
Company contributions to money purchase schemes	20	29

The emoluments, excluding pension contributions, of the highest paid director were £485,000 (2020: £466,000). Retirement benefits were accrued to 1 director (2020: 2 directors) under money purchase schemes.

## NOTES Continued...

### 5 Staff numbers and costs

The average number of persons (including directors) employed by the Group during the year, analysed by category, was as follows:

	NUMBER OF EMPLOYEES	
	2021	2020
Management and administration	273	242
Production	485	445
	<b>758</b>	<b>687</b>
<i>The aggregate payroll costs of these persons were:</i>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	30,816	25,330
Furlough grants received	(1,639)	-
Social security costs	3,049	2,675
Defined contribution pension costs	1,436	1,350
	<b>33,662</b>	<b>29,355</b>

The Group operates a defined contribution pension scheme. Contributions amounting to £179,000 (2020: £183,000) were payable to the scheme at the year end and are included in creditors.

Wages and salaries include £1,639,000 of payments that have been funded by the UK Government's Job Retention Scheme.

### 6 Other operating (expense) income

	2021	2020
	£'000	£'000
Finance lease income	952	942
Fair value adjustment for investment properties	(1,200)	(869)
	<b>(248)</b>	<b>73</b>

### 7 Exceptional items

	2021	2020
	£'000	£'000
Impairment of negative goodwill (Note 11)	(4,999)	-
Impairment of fixed assets (Note 12)	5,000	-
Legal costs in connection with dispute with minority shareholders of a group subsidiary	639	-
	<b>640</b>	<b>-</b>

### 8 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest on short term deposits	34	120
Interest from associated companies	-	363
Other interest receivable	1	482
Exchange gains and similar income	-	207
	<b>35</b>	<b>1,172</b>

### 9 Interest payable and similar expense

	2021	2020
	£'000	£'000
Finance costs on bank loans and overdrafts	558	522
Hire purchase and finance lease interest	187	172
Exchange losses and similar expenses	1,102	-
	<b>1,847</b>	<b>694</b>

## 10 Taxation

	2021 £'000	2020 £'000
<b>Analysis of charge for the year</b>		
UK corporation tax:		
Current year	698	1,182
Prior year adjustment	(467)	(374)
	231	808
Overseas taxation	47	25
Deferred tax:		
Origination and reversal of timing differences	(630)	93
Change in rate of tax	-	672
Prior year adjustment	469	221
	(161)	986
<b>Total tax charge</b>	<b>117</b>	<b>1,819</b>

The total tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

Total tax reconciliation:		
Profit before taxation	7,116	10,305
	1,352	1,958
Effects of:		
Disallowed expenditure	292	95
Ineligible depreciation	117	73
Amortisation of intangible assets	(835)	(18)
R&D and Patent box tax relief	(824)	(802)
Change in tax rate	-	672
Overseas tax rate	13	(6)
Prior year adjustments	2	(153)
	(1,235)	(139)
<b>Total tax charge</b>	<b>117</b>	<b>1,819</b>

The amounts provided for deferred taxation and the amounts not provided at 19% (2020: 19%) tax rate are set out below

	2021		2020	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
<b>Group</b>				
Difference between accumulated depreciation and capital allowances	3,655	-	3,728	-
Other timing differences	1,698	-	1,787	-
	5,353	-	5,515	-
<b>Company</b>				
Difference between accumulated depreciation and capital allowances	(18)	-	(17)	-
	(18)	-	(17)	-

Subsequent to the year-end it was announced in the 3 March 2021 Budget that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK corporation tax charge. The rate change was substantively enacted in May 2021. If this rate change had been substantively enacted at the 31 March 2021 balance sheet date, the impact on the Group's net deferred tax liability balance would have been an estimated increase of £1.7m.

## NOTES Continued

### 11 Intangible fixed assets

Group	Software £'000	Goodwill £'000	Patents £'000	Intangible Total £'000	Negative Goodwill £'000	Company Software £'000
<b>Cost</b>						
At beginning of the year	3,490	1,857	261	5,608	(9,067)	4
Additions	296	-	-	296	-	-
At end of the year	3,786	1,857	261	5,904	(9,067)	4
<b>Amortisation</b>						
At beginning of the year	2,718	490	50	3,258	(378)	1
Impairment of assets in subsidiary	-	-	-	-	(4,999)	-
Charge (credit) in the year	231	203	23	457	(428)	2
At end of the year	2,949	693	73	3,715	(5,805)	3
<b>Net book value</b>						
<b>At 31 March 2021</b>	<b>837</b>	<b>1,164</b>	<b>188</b>	<b>2,189</b>	<b>(3,262)</b>	<b>1</b>
At 31 March 2020	772	1,367	211	2,350	(8,689)	3

During the year an impairment review was carried out on the tangible fixed assets of Alfred Cheyne Engineering Limited (ACE). As a result of that review a provision was made of £5,000,000 in addition to fair value adjustments recorded when ACE became a subsidiary in October 2019. This impairment charge has been recorded in the consolidated accounts and, at the same time, the amortization of the negative goodwill relating to these assets has been charged with an additional £4,999,000 in the year.

## 12 Tangible fixed assets

Group	Heritable land and buildings £'000	Hire plant and equipment £'000	Plant and vehicles £'000	Office equipment and fittings £'000	Total £'000
<b>Cost</b>					
At beginning of the year	51,214	35,404	51,384	3,567	141,569
Additions	881	1,408	2,573	121	4,983
Disposals		(1,891)	(991)		(2,882)
Exchange movement	(41)	65	11		35
At end of the year	52,054	34,986	52,977	3,688	143,705
<b>Depreciation</b>					
At beginning of the year	16,227	14,789	26,485	2,906	60,407
Charge for the year	1,494	1,674	3,621	244	7,033
Impairment		5,000			5,000
Disposals		(1,315)	(890)		(2,205)
Exchange movement		54	11		65
At end of the year	17,721	20,202	29,227	3,150	70,300
<b>Net book value</b>					
At 31 March 2021	34,333	14,784	23,750	538	73,405
At 31 March 2020	34,987	20,615	24,899	661	81,162

Included in land and buildings is an amount of £8,396,000 (2020: £8,470,000) representing land not depreciated.

The net book value of fixed assets includes an amount of £8,699,000 (2020: £10,719,000) in respect of assets held under finance leases and similar hire purchase contracts. The depreciation charge for the year for these assets was £880,000 (2020: £1,006,000).

During the year, an impairment indicator was identified in respect of the hire plant and equipment tangible fixed assets of Alfred Cheyne Engineering (ACE), acquired by the Group in October 2019. The recoverable amount of these assets at the balance sheet date has been assessed on a value in use basis using forecast future cash flows for earnings from operations and capital expenditure to sustain business operations. Growth is based on the company's five year plan forecast until 2025 and then reflects a long term growth rate estimate limited to 2%. A post-tax discount rate of 11.7% has been used to determine the net present value of the cash flows. The carrying value of land and buildings comprising the company's yard facility is integral to the company's hire fleet, manufacturing and merchanting activities and has been evaluated as part of this cash generating unit. The discount rate is a significant and sensitive assumption. Had the discount rate been 1% higher or lower, the impairment charge would have increased by £1.8m or decreased by £2.2m respectively.

Company	Plant and vehicles £'000
<b>Cost</b>	
At beginning of the year	214
Additions	
Disposals	(44)
At end of the year	170
<b>Depreciation</b>	
At beginning of the year	86
Charge for the year	38
Disposals	(44)
At end of the year	80
<b>Net book value</b>	
At 31 March 2021	90
At 31 March 2020	128

In accordance with FRS 102 heritable land and buildings occupied by Group companies are not considered investment properties and are held at cost and depreciated.

## NOTES Continued

### 13 Investment properties and finance lease receivable

Group	Investment properties £'000	Finance lease receivable £'000	Total £'000
<b>Valuation</b>			
At start of the year	9,411	14,143	23,554
Decrease in fair value in the year	(1,200)		(1,200)
Net interest capitalised		186	186
<b>Fair value at end of the year</b>	<b>8,211</b>	<b>14,329</b>	<b>22,540</b>

All of the Group's investment property fair value 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 2% and 16%.

Any gain or loss arising from a change in fair value is recognised in profit and loss (Note 6).

	Less than one year	One to five years	More than five years	<b>2021</b> £'000	2020 £'000
<b>Finance lease receivable</b>					
Gross investment in lease	848	3,440	48,081	<b>52,369</b>	53,177
Less: discount at interest implicit in lease	(964)	(3,951)	(33,125)	<b>(38,040)</b>	(39,034)
	<b>(116)</b>	<b>(511)</b>	<b>14,956</b>	<b>14,329</b>	<b>14,143</b>

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 values of these assets is set out below.

	<b>£'000</b>
Investment properties	8,211
Finance lease receivables	14,329
	<b>22,540</b>
<b>Fair market value</b>	<b>22,750</b>

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

## 14 Fixed asset investments

	Shares in Group undertakings £'000
<b>Company</b>	
At start of the year	15,685
Additions	7,000
At end of the year	22,685

The company's principal subsidiary and associated undertakings are as follows:

Subsidiary undertaking	Country of Registration	Nature of business	Percentage of ordinary shares held	
			Group	Company
Balmoral Industrial Tanks Limited	Scotland*	Manufacture of epoxy and concrete tanks	100	-
Balmoral Park Limited	Scotland*	Property Development company	100	100
Balmoral Comtec Limited	Scotland*	Manufacture of buoyancy and advanced composite products	98	98
Balmoral Offshore Industria de Plasticos Ltda	Brazil	Dormant	100	-
Balmoral Offshore Inc	USA	Sales Office	100	-
Balmoral Tanks Limited	Scotland*	Manufacture of tanks	100	100
Servomac Limited	England	Manufacture of pipework	100	-
Balmoral Employee Benefit Trustees Limited	Scotland*	Trustee	100	100
Balmoral Advanced Composites Limited	Scotland*	Dormant	100	-
Balmoral Composites Limited	Scotland*	Dormant	100	-
Balmoral Intellectual Properties Limited	Scotland*	Dormant	100	100
Balmoral Navigational Aids Limited	Scotland*	Dormant	100	100
Balmoral Polymer Engineering Limited	Scotland*	Dormant	100	100
Balmoral Webco Limited	Scotland*	Dormant	100	100
LBT Group Limited	Scotland*	Dormant	100	100
HB Horseley Bridge Tanks Limited	England	Dormant	100	100
Balmoral Tanks Ireland Limited	Ireland	Dormant	100	100
Kirkdale 2000 Limited	England	Dormant	100	-
Water Environmental Treatment Limited	England	Water treatment services	75	-
Blaze Holdco Limited	Scotland	Intermediate holding company	70	70
Blaze Manufacturing Solutions Limited	Scotland	Fire safety systems	70	-
Alfred Cheyne Engineering Limited	Scotland	Manufacture and hire of winches	70	70
ACE Norge AS	Norway	Hire of winches	70	-
ACE Winches Group Limited	Scotland	Dormant	100	100

The registered office of the subsidiaries registered in Scotland and marked \* is Balmoral Park, Loirston, Aberdeen, AB12 3GY. The registered offices of other subsidiaries are: Balmoral Offshore Industria de Plasticos LTDA: Rua Da Aldeia, 76, LJ13, Centro Commercial Da Aldeia, Parque Residencial Laranjeiras, Serra, ES, CEP 29165-905; Balmoral Offshore Inc: 6363 Woodway, Suite 100, Houston, Texas 77057; Balmoral Tanks Ireland Limited: 108 Q House, Furze Road, Sandyford, Dublin 18; Kirkdale 2000 Limited: 6 Elm Road, West Chirton North Industrial Estate, North Shields, Tyne and Wear, NE29 8SE; HB Horseley Bridge Tanks Limited, Water Environmental Treatment Limited and Servomac Limited: Barrowfield Road, Thurnscoe, Rotherham, South Yorkshire, S63 0EW; Blaze Manufacturing Solutions Limited and Blaze Holdco Limited, Laurencekirk Business Park, Laurencekirk, Aberdeenshire, AB30 1EY, Alfred Cheyne Engineering Limited and ACE Winches Group Limited, Towie Barclay Works, Turriff, Aberdeenshire, AB53 8FM, ACE Norge AS, Storasundvegan 89 4260, Tovastad, Norway.

## NOTES Continued

### 15 Stocks

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Raw materials and consumables	3,358	4,088	-	-
Work in progress	1,705	2,624	-	-
Finished goods and goods for resale	681	595	-	-
	<b>5,744</b>	<b>7,307</b>		

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £44,767,000 (2020: £49,717,000).

### 16 Debtors

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	19,147	36,472	4	-
Due from Group undertakings	-	-	19,401	24,364
Amounts recoverable on contracts	10,770	19,137	-	-
Corporation tax	1,129	876	-	-
Deferred taxation (see note 10)	-	-	18	17
Prepayment	2,721	2,313	284	113
Other debtors	3,428	2,653	591	618
	<b>37,195</b>	<b>61,451</b>	<b>20,298</b>	<b>25,112</b>

Included within other debtors are amounts falling due after more than one year of £nil (2020: £500,000) and included within trade debtors an amount of £436,000 (2020: £878,000).

### 17 Creditors: amounts falling due within one year

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank overdraft (secured)	42	159	-	-
Bank loans (secured)	950	950	-	-
Other loans (unsecured) (note 26)	2,047	2,986	2,047	2,987
Obligations under finance lease and hire purchase contracts	2,217	2,629	-	-
Trade creditors	8,341	19,361	170	100
Corporation tax	62	125	-	-
Due to Group undertakings	-	-	27,093	23,545
Group relief payable	-	-	217	416
Other creditors	4,324	5,987	129	98
Payments made on account	9,452	8,524	-	-
Accruals and deferred income	7,274	8,616	148	57
	<b>34,709</b>	<b>49,337</b>	<b>29,804</b>	<b>27,203</b>

The bank overdraft is secured over the assets of one of the UK subsidiaries.

## 18 Creditors: amounts falling due after more than one year

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loans (secured)	13,550	14,500	-	-
Other loans	280	280	-	-
Obligations under finance lease and hire purchase contracts	990	4,226	-	-
Deferred income – Government grants	2,087	1,089	-	-
	<b>16,907</b>	<b>20,095</b>		
<b>Analysis of debt repayments</b>				
Repayable less than one year	5,214	6,565	2,047	2,987
Repayable between one and two years	2,854	1,599	-	-
Repayable between two and five years	12,783	17,128	-	-
Repayable after five years	280	280	-	-
	<b>21,131</b>	<b>25,572</b>	<b>2,047</b>	<b>2,987</b>

The Group is financed by two separate banking facilities all of which are guaranteed by the holding company. The Group's property company has a loan secured by a standard security over the assets which it finances. This loan is further secured by a floating charge over the assets of the property company. Repayment of this loan is by quarterly instalments of £237,500 being £950,000 per year. The loan is repayable in August 2022.

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.

All obligations under finance leases and hire purchase contracts are repayable within five years. The other loans, due outwith one year, are from minority shareholders in a subsidiary, are repayable on the sale of the subsidiary and pay interest based on bank base rates. Other loans due within one year are interest free loans from a shareholder.

## 19 Provisions for liabilities

Group	2021 £'000	2020 £'000
<b>Deferred taxation</b>		
At start of the year	5,515	3,959
Charge for the year – profit and loss	(162)	986
On acquisition of subsidiaries	-	485
On liquidation of subsidiaries	-	75
Exchange movement	-	10
At end of the year	<b>5,353</b>	<b>5,515</b>

## NOTES Continued

### 20 Capital and reserves

Share capital	Ordinary shares	
On issue at 1 April 2019 and 31 March 2020	250,000	
	2021	2020
	£'000	£'000
Allotted, issued and fully paid:		
250,000 ordinary shares of £1 each	250	250

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.

	Profit and loss account	Total other comprehensive income
	£'000	£'000
<b>Group 2021</b>		
<i>Other comprehensive income</i>		
Foreign exchange differences in translation of subsidiaries	27	27
	27	27
<b>Group 2020</b>		
<i>Other comprehensive income</i>		
Foreign exchange differences in translation of subsidiaries	86	86
	86	86

### 21 Financial instruments

#### 21(a) Carrying amounts of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2021	2020
	£000	£000
Assets measured at fair value		
Cash and bank overdraft	37,205	19,043
Assets measured at amortised cost		
Trade debtors and amounts recoverable on contracts	29,917	55,609
Other debtors	3,167	2,653
Liabilities measured at amortised cost		
Bank loans	14,500	15,450
Other loans	2,327	3,266
Obligations under finance leases and hire purchase contracts	4,304	6,855
Trade creditors and accruals	15,615	27,814
Payments made on account	9,452	8,524
Other creditors	2,344	3,813

## 21 Financial instruments continued...

### 21(b) Financial instruments measured at fair value

#### Derivative financial instruments

The Group may purchase forward foreign currency contracts and options to hedge currency exposure on firm future commitments. At the year end forward foreign currency contracts and options for a total of USD X (2020: USD 9.5m) were outstanding. The fair value of these currency contracts were not material at 31 March 2021 and no cash flow hedging reserve balance has therefore been presented (2020: £nil).

The fair value of forward exchange contracts and in the money options is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### 21(b.1) 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 minimizing such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Group's debtors are shown in Note 16 to the financial statements. The Group has processes and controls in place to regularly monitor individual trade debtor counterparty exposure.

#### 21(b.2) Liquidity risk

Liquidity risk 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 throughout the group. The Group also manages liquidity risk via revolving credit facilities and long term debt.

#### 21(b.3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The most significant currency to which the Group is exposed is the US Dollar. This risk may arise on significant customer contracts and, as set out above, the Group may hedge the currency exposure on firm future commitments using forward currency contracts and options.

#### 21(c) Hedge accounting

There are no forecast transactions for which hedge accounting will be expected to occur.

## 22 Commitments

a) The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	198	266	-	-
Between two and five years	151	245	-	-
	349	511	-	-

b) The Group had capital commitments at the end of the year, which were contracted for but for which no provision is made in the accounts, of £977,000 (2020: £1,022,000). The Company had no similar capital commitments (2020: £nil).

## 23 Contingent liabilities

There are contingent liabilities arising from contractual obligations entered into in the normal course of business including, at the balance sheet date, £6,447,000 (2020: £7,126,000) in respect of contract performance and tender guarantees issued by the Group's bankers and insurers.

The Company has guaranteed the borrowings of other Group members which at 31 March 2021 amounted to £14,500,000 (2020: £15,450,000).

## NOTES Continued

### 24 Analysis of changes in net funds (net debts)

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2021 £'000
Cash in hand and at bank/bank overdrafts	19,043	18,162	-	37,205
	19,043	18,162	-	37,205
Debt due within one year	(3,936)	940	-	(2,996)
Debt due after one year	(14,780)	950	-	(13,830)
HP and finance leases	(6,855)	2,593	(42)	(4,304)
<b>Total</b>	<b>(6,528)</b>	<b>22,645</b>	<b>(42)</b>	<b>16,075</b>

### 25 Major non-cash transactions

During the year the Group entered into HP and finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £42,000 (2020: £3,961,000).

### 26 Related party transactions

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

The Company recharged administrative costs to Balmoral Comtec Limited, its subsidiary, amounting to £2,510,000 (2020: £2,606,000). £26,613,000 (2020: £23,544,000) was owed to Balmoral Comtec Limited at 31 March 2021.

At 31 March 2021 the Company was owed a loan of £2,750,000 (2020: £3,750,000) from Alfred Cheyne Engineering Limited. Interest of £233,000 (2020: £654,000) was charged in the year. Interest accrued but not paid was £18,000 (2020: £23,000).

The Company was owed £485,000 (2020: £775,000) by Blaze Manufacturing Solutions Limited at 31 March 2021.

#### Transactions with other related parties

JS Milne is a trustee and grantor and WE Main is a trustee of the Milne Family Foundation and of the Friends of Anchor Trust. During the year the total donations to these trusts was as follows:

Related party	Objective of trust or charity	2021 £'000	2020 £'000
The Milne Family Foundation	Support of missionaries overseas and those in need in UK and overseas	1,902	1,187
Friends of ANCHOR Trust	Support the Aberdeen and North Centre for Haematology, Oncology and Radiotherapy (ANCHOR)	2	43

In addition the Company paid the administrative costs of Friends of ANCHOR Trust which amounted to £239,000 (2020: £248,000).

## 27 Accounting estimates and judgments

### *Key sources of estimation uncertainty*

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; and
- for construction contracts in foreign currencies the exchange rate used

The margins are assessed on a contract by contract basis and require assessment of estimated contract costs to complete and any potential changes to revenues earned, which may include variation orders and liquidated damages. The exchange rate used is the average exchange rate at the balance sheet date unless the future income has been hedged.

Significant estimation is also required in respect of the fair valuation of investment property (note 13) and the recoverable amount of tangible fixed assets (note 12).

### *Critical accounting judgment in applying the Company's accounting policies*

Critical accounting judgements include determining whether leases (where the Group act as either lessor or lessee) are finance leases or operating leases.

Judgement may also be required in evaluating impairment indicators, if any, in respect of property assets and finance lease receivables.

## 28 Subsequent event

Subsequent to the year end, the Group has disposed of its entire shareholding in Alfred Cheyne Engineering Limited. No material gain or loss arose on disposal.

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**Balmoral Group Holdings Limited**  
Balmoral Park, Loirston, Aberdeen AB12 3GY  
T +44 (0)1224 859000  
E [group@balmoral.co.uk](mailto:group@balmoral.co.uk)  
[www.balmoral-group.com](http://www.balmoral-group.com)  
Registered number SC277480

