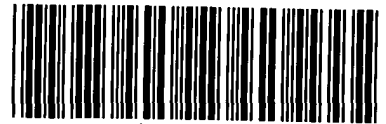


Company Registration No. SC301819 (Scotland)

BALMORAL COMTEC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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BALMORAL COMTEC LIMITED

COMPANY INFORMATION

Directors	W E Main F J Milne Sir J S Milne CBE D Reay G Yeoman P W Mitchell B Ross
Secretary	J T Lowden
Company number	SC301819
Registered office	Balmoral Park Loirston Aberdeen United Kingdom AB12 3GY
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

BALMORAL COMTEC LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 31

BALMORAL COMTEC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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

Principal activity

The principal activity of Balmoral Comtec Limited ("the company") is the provision of buoyancy, elastomer and composite product solutions to our customers. We do this by designing and manufacturing a range of products principally for the offshore global energy sector.

Business model

We offer unrivalled technical expertise, a vast project track record, evidence base product solutions and a collaborative approach to client engagement. This allows us to design and manufacture products to meet our customers' expectations at competitive prices. Our routes to market vary according to the product types and geographical markets. We aim to identify potential customers, develop product solutions and bid for work through a competitive tendering process. Critical to our business success are track record, design, quality and customer service.

Business review and results

We have seen a 35% increase in turnover this year as set out in the Statement of Comprehensive Income on page 10, with the company starting to work through the backlog which occurred as a result of the COVID-19 pandemic. As a result of this increased levels of activity, operating profits increased from £1,268k to £5,986k.

We continue to see strong competition on pricing; to counter this we are working with our customers to reduce cost by design and engineering changes rather than simply supplying the same product for less.

We continue to work with our customers to reduce the full life cycle cost of products and to offer innovative solutions to allow them to meet the challenging savings targets being demanded of them.

Principal risks and uncertainties

The directors monitor and review the key risks which the company faces on a regular basis, in order to mitigate each risk area.

Market risk

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

General economic activity

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

Raw material availability and price

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

Commodity prices

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

BALMORAL COMTEC LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties - continued

Financial risk management objectives and policies

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

Foreign exchange fluctuations

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

Credit risk

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

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

Liquidity risk

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

Key performance indicators

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

During the year turnover grew by 35% to £88.8m and as a result operating profits increased from £1,268k to £5,986k. However, whilst turnover and operating profit increased, working capital decreased by £5.6m at the year end due to timing differences compared to the prior year.

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

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

Future developments

We continue to invest in R&D to allow the business to grow in existing and new markets by identifying and satisfying customer needs. Our R&D efforts are also focussed on improving our production efficiencies which has helped to maintain a competitive position in the market.

With increased national and international focus on renewable energy, the company has adapted its products for use in fixed and floating wind developments at sea as well as developing new and innovative solutions for the renewable energy sector. Substantial investment continues to be made in energy transition which has given the company's customers increasing confidence to make contract awards and this is expected to continue going forward.

BALMORAL COMTEC LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Section 172 statement

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 at the front of the accounts and set out how all companies in the Balmoral 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 company'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 company engages with and considers the interest of each stakeholder group.

- *Investors and lenders*

The company has low levels of borrowings and is 98% owned by the Balmoral Group Holdings Limited with the balance being held by the senior management team; the investors are therefore involved in the day to day management of the company. Our lenders key interest is in the long-term future of the business and they are updated 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 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 R&D 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 and most of our CSR efforts are channeled through the holding company. The Balmoral 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, the Balmoral group 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 company to maintain a reputation of high standards of business conduct and the need to act fairly between members of the company.

On behalf of the board



W E Main

Director

Date: 22/11/23

BALMORAL COMTEC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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

Principal activities

The principal activity of Balmoral Comtec Limited ("the company") is the provision of buoyancy, elastomer and composite product solutions to our customers. We do this by designing and manufacturing a range of products principally for the offshore global energy sector.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £45,587k (2022: £nil). The directors do not recommend payment of a further dividend (2022: £nil).

Directors

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

W E Main	
F J Milne	
Sir J S Milne CBE	
D Reay	
A Robertson	(Resigned 29 March 2023)
G Yeoman	
P W Mitchell	(Appointed 29 March 2023)
B Ross	(Appointed 3 April 2023)
J Hamilton	(Resigned 8 June 2022)
R Oram	(Resigned 8 June 2022)

Qualifying third party indemnity provisions

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

Engagement with employees

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

Engagement with suppliers, customers and others

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

Matters addressed in the strategic report

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

Auditor

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

BALMORAL COMTEC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Energy and carbon report

Disclosure of the company's energy usage and carbon emissions for the years ended 31 March 2023 and 31 March 2022 are made within the consolidated disclosures which are included in the financial statements of the parent company, Balmoral Group Holdings Limited.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of disclosure to auditor

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

On behalf of the board



W E Main
Director

Date: 22/11/23

BALMORAL COMTEC LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BALMORAL COMTEC LIMITED

Opinion

We have audited the financial statements of Balmoral Comtec Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

BALMORAL COMTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF BALMORAL COMTEC LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

BALMORAL COMTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF BALMORAL COMTEC LIMITED

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

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

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

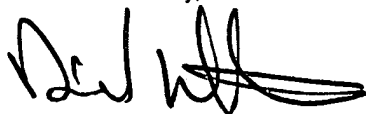
In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

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

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Use of our report

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

Statutory Auditor

Date: 22/11/23.

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BALMORAL COMTEC LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	£000	£000
Turnover	3	88,785	65,825
Cost of sales		(73,924)	(57,175)
Gross profit		14,861	8,650
Administrative expenses		(8,958)	(7,465)
Other operating income		83	83
Operating profit	4	5,986	1,268
Interest receivable and similar income	8	336	40
Interest payable and similar expenses	9	(47)	(51)
Profit before taxation		6,275	1,257
Tax on profit	10	(1,100)	(937)
Profit for the financial year		5,175	320

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

There were no items of other comprehensive income in either the current or prior reporting period.

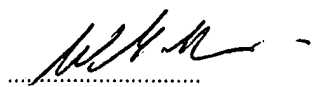
BALMORAL COMTEC LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £000	£000	2022 £000	£000
Fixed assets					
Goodwill	12		4,504		221
Other intangible assets	12		803		513
Total intangible assets			5,307		734
Tangible assets	13		21,289		21,879
Investments	14		-		-
			26,596		22,613
Current assets					
Stocks	16	5,740		5,128	
Debtors falling due after more than one year	17	4,529		-	
Debtors falling due within one year	17	31,648		72,875	
Cash at bank and in hand		18,229		13,585	
		60,146		91,588	
Creditors: amounts falling due within one year	18	(25,428)		(21,843)	
Net current assets			34,718		69,745
Total assets less current liabilities			61,314		92,358
Creditors: amounts falling due after more than one year	19		(10,484)		(1,052)
Provisions for liabilities					
Deferred tax liability	22	(3,283)	(3,283)	(3,350)	(3,350)
Net assets			47,547		87,956
Capital and reserves					
Called up share capital	25		513		510
Profit and loss reserves	26		47,034		87,446
Total equity			47,547		87,956

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



W E Main
Director

Company Registration No. SC301819

BALMORAL COMTEC LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 April 2021		510	87,126	87,636
Year ended 31 March 2022:				
Profit and total comprehensive income for the year		-	320	320
Balance at 31 March 2022		510	87,446	87,956
Year ended 31 March 2023:				
Profit and total comprehensive income for the year		-	5,175	5,175
Issue of share capital	25	3	-	3
Dividends	11	-	(45,587)	(45,587)
Balance at 31 March 2023		513	47,034	47,547

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Balmoral Comtec Limited is a private company limited by shares incorporated in Scotland. The registered office is Balmoral Park, Loirston, Aberdeen, United Kingdom, AB12 3GY. The principal activities of the company and the nature of its operations are set out in the strategic report on page 1.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

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

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Balmoral Group Holdings Limited. These consolidated financial statements are available from its registered office, Balmoral Park, Loirston, Aberdeen, AB12 3GY.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.2 Going concern

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

The company has considerable financial resources together with long-term contracts and orders with a number of customers and suppliers across different geographical areas. At the financial year end, the company had net current assets of £34,718k (2022: £69,745k), net assets of £47,547k (2022: £87,956k) and cash of £18,229k (2022: £13,585k). Net current assets include £4,529k (2022: £nil) of amounts owed by group undertakings which the company has agreed not to demand repayment of for a period of at least 12 months from the year end date. The company has significant net funds and no bank debt.

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

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

1.3 Turnover

Turnover represents the amounts derived from the provision of goods 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.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets - goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is either 10 or 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the business combination from which it arose.

1.6 Intangible fixed assets other than goodwill

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

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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

Software	4 years
Patents	10 years

1.7 Tangible fixed assets

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

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

Heritable land and buildings	up to 20 years
Plant and vehicles	4 to 12 years
Office fixtures and fittings	4 years

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

1.8 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

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

1.9 Impairment of fixed assets

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

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

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

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.10 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 cost incurred in bringing the stocks to their present location and condition. In the case of manufactured stocks and work in progress, costs includes an appropriate share of overheads based on normal operating capacity.

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

1.11 Construction contract debtors

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

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as payments received on account in the balance sheet. Costs incurred relating to future activities, is recognised as work in progress within inventories.

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.14 Equity instruments

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

1.15 Taxation

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

1.16 Employee benefits

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

1.17 Retirement benefits

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

1.18 Leases

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

Finance lease

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

Operating lease

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.19 Government grants

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

1.20 Foreign exchange

Transactions in currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Accounting for construction contracts

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

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

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

The carrying value of amounts recoverable on contract at the reporting date is outlined at note 17. Revenue recognised in the reporting period is outlined at note 3.

Depreciation - useful life and residual value of tangible fixed assets

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

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover and other revenue

The company only has one class of business, being the manufacture and sale of a range of buoyancy, elastomer and insulation products, principally for the offshore industry.

Details of turnover by geographical market is as follows:

	2023 £000	2022 £000
Turnover analysed by geographical market		
United Kingdom	11,076	17,518
Americas	59,385	35,361
Europe	8,788	11,767
Rest of world	9,536	1,179
	<u>88,785</u>	<u>65,825</u>
	2023 £000	2022 £000
Other significant revenue		
Interest income	336	40
Grants received	83	83
	<u> </u>	<u> </u>

4 Operating profit

	2023 £000	2022 £000
Operating profit for the year is stated after charging/(crediting):		
Research and development expenditure credit	(267)	(313)
Government grants	(83)	(83)
Depreciation of owned tangible fixed assets	2,636	2,689
Depreciation of tangible fixed assets held under finance leases	347	347
Loss on disposal of tangible fixed assets	4	-
Amortisation of intangible assets	466	226
Research and development costs	1,194	720
Operating lease charges	2,150	1,966
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	45	45
	<u> </u>	<u> </u>
For other services		
Audit-related assurance services	4	-
All other non-audit services	-	8
	<u> </u>	<u> </u>
	4	8
	<u> </u>	<u> </u>

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

6 Employees

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

	2023 Number	2022 Number
Management and administration	63	46
Production	230	236
Total	<u>293</u>	<u>282</u>

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	11,508	9,472
Social security costs	1,283	1,026
Pension costs	727	676
	<u>13,518</u>	<u>11,174</u>

Wages and salaries costs in the prior year are stated net of furlough grants received totalling £360k.

7 Directors' remuneration

	2023 £000	2022 £000
Remuneration for qualifying services	777	759
Company pension contributions to defined contribution schemes	124	142
	<u>901</u>	<u>901</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2022 - 4).

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

	2023 £000	2022 £000
Remuneration for qualifying services	<u>206</u>	<u>189</u>

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

8 Interest receivable and similar income

	2023 £000	2022 £000
Interest income		
Interest on bank deposits	150	32
Net foreign exchange gains	186	8
Total income	336	40

9 Interest payable and similar expenses

	2023 £000	2022 £000
Interest on bank overdrafts and loans	28	2
Interest on finance leases and hire purchase contracts	19	49
	47	51

10 Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax on profits for the current period	1,086	174
Adjustments in respect of prior periods	56	(223)
Group relief charge	25	-
Total current tax	1,167	(49)
Deferred tax		
Origination and reversal of timing differences	6	(16)
Changes in tax rates	-	808
Adjustment in respect of prior periods	(73)	194
Total deferred tax	(67)	986
Total tax charge	1,100	937

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Taxation

(Continued)

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

	2023 £000	2022 £000
Profit before taxation	6,275	1,257
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	1,192	239
Expenses not deductible for tax purposes	11	5
R&D expenditure credits	57	-
Prior period adjustment in respect of current tax	56	(224)
Rate change adjustment in respect of deferred tax	1	804
Payment/(receipt) for group relief	25	-
Group relief surrendered/(claimed)	(25)	-
Fixed asset differences	(2)	(38)
Amortisation of goodwill	-	10
R&D and patent box tax reliefs	(142)	(54)
Prior period adjustment in respect of deferred tax	(73)	195
Taxation charge for the year	1,100	937

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

11 Dividends

	2023 £000	2022 £000
Final paid	45,587	-

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Intangible fixed assets

	Goodwill £000	Software £000	Patents £000	Total £000
Cost				
At 1 April 2022	1,000	1,779	200	2,979
Additions	4,521	518	-	5,039
At 31 March 2023	5,521	2,297	200	8,018
Amortisation and impairment				
At 1 April 2022	779	1,426	40	2,245
Amortisation charged for the year	238	208	20	466
At 31 March 2023	1,017	1,634	60	2,711
Carrying amount				
At 31 March 2023	4,504	663	140	5,307
At 31 March 2022	221	353	160	734

Goodwill additions in the year are in respect of the acquisition of an income generating unit from a fellow Balmoral group subsidiary.

13 Tangible fixed assets

	Heritable land and buildings £000	Plant and vehicles £000	Office fixtures and fittings £000	Total £000
Cost				
At 1 April 2022	10,494	34,279	1,287	46,060
Additions	928	891	105	1,924
Business combinations	-	1,620	-	1,620
Disposals	-	(62)	-	(62)
At 31 March 2023	11,422	36,728	1,392	49,542
Depreciation and impairment				
At 1 April 2022	2,913	20,176	1,092	24,181
Depreciation charged in the year	552	2,345	86	2,983
Eliminated in respect of disposals	-	(52)	-	(52)
Business combinations	-	1,141	-	1,141
At 31 March 2023	3,465	23,610	1,178	28,253
Carrying amount				
At 31 March 2023	7,957	13,118	214	21,289
At 31 March 2022	7,581	14,103	195	21,879

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Tangible fixed assets

(Continued)

The carrying value of land and buildings comprises:

	2023 £000	2022 £000
Freehold	414	450
Leasehold buildings and improvements	7,543	7,131
	<u>7,957</u>	<u>7,581</u>

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

	Depreciation charge		Net carrying value	
	2023 £000	2022 £000	2023 £000	2022 £000
Plant and vehicles	347	347	2,141	2,487
	<u>347</u>	<u>347</u>	<u>2,141</u>	<u>2,487</u>

14 Fixed asset investments

	2023 £000	2022 £000
Investments in subsidiaries	15	-
	<u>15</u>	<u>-</u>

15 Subsidiaries

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

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Balmoral Offshore Inc	6363 Woodway, Suite 1000, Houston, Texas 77057	Sales Office	Ordinary	100.00
Kirkdale 2000 Limited	6 Elm Road, West Chirton North Industrial Estate, North Shields, Tyne and Wear, NE29 8SE	Dormant	Ordinary	100.00
Balmoral Advanced Composites Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100.00
Balmoral Composites Limited	Balmoral Park, Loirston, Aberdeen, AB12 3GY	Dormant	Ordinary	100.00

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Stocks

	2023 £000	2022 £000
Raw materials and consumables	3,823	2,889
Work in progress	1,862	2,226
Finished goods and goods for resale	55	13
	<u>5,740</u>	<u>5,128</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £45,615k (2022 - £25,779k).

17 Debtors

	2023 £000	2022 £000
Amounts falling due within one year:	£000	£000
Trade debtors	21,682	25,306
Gross amounts owed by contract customers	7,821	9,729
Corporation tax recoverable	-	1,272
Amounts owed by group undertakings	128	35,182
Other debtors	504	469
Prepayments and accrued income	1,513	917
	<u>31,648</u>	<u>72,875</u>
	2023 £000	2022 £000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>4,529</u>	<u>-</u>
Total debtors	<u>36,177</u>	<u>72,875</u>

Amounts owed by group undertakings are unsecured and interest free and include £4,529k (2022 - £nil) falling due for repayment after more than one year with the balance repayable on demand.

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

18 Creditors: amounts falling due within one year

	Notes	2023 £000	2022 £000
Obligations under finance leases	21	66	144
Payments received on account		6,266	2,639
Trade creditors		8,994	9,913
Amounts owed to group undertakings		4,571	2,611
Corporation tax		141	-
Other taxation and social security		393	332
Government grants	23	83	83
Other creditors		1,214	2,868
Accruals and deferred income		3,700	3,253
		<u>25,428</u>	<u>21,843</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Included in amounts owed to group undertakings is £1,182k (2022 - £1,157k) owed in respect of group relief.

Obligations under finance lease are secured against the assets concerned.

19 Creditors: amounts falling due after more than one year

	Notes	2023 £000	2022 £000
Obligations under finance leases	21	96	189
Other borrowings	20	280	280
Amounts owed to group undertakings		9,608	-
Government grants	23	500	583
		<u>10,484</u>	<u>1,052</u>

Amounts owed to group undertakings are unsecured, interest free and repayment has been deferred for a period of at least 12 months from the year end date. Obligations under finance lease are secured against the assets concerned.

Bank facilities available to the company, principally for the provision of bonds and guarantees, are secured by a bond and floating charge over the assets of the company.

The other loans are from shareholders and bear interest at 0.5% above bank base rate, they are repayable when the shares are sold or in April 2024 and are therefore deemed to be due after 1 year.

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

20 Loans and overdrafts

	2023 £000	2022 £000
Other loans	280	280
Payable after one year	280	280

As outlined at note 19, the other loans are from shareholders, bear interest at 0.5% above bank base rate and are deemed to be due when the shares are sold or in April 2024 and are therefore deemed to be due after 1 year.

21 Finance lease obligations

	2023 £000	2022 £000
Future minimum lease payments due under finance leases:		
Within one year	66	144
In two to five years	96	189
	162	333

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 6 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Deferred taxation

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

	Liabilities 2023 £000	Liabilities 2022 £000
Balances:		
Difference between accumulated depreciation and capital allowances	3,305	2,364
Other timing differences:	(22)	986
	3,283	3,350
Movements in the year:		2023 £000
Liability at 1 April 2022		3,350
Credit to profit or loss		(67)
Liability at 31 March 2023		3,283

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

23 Government grants

	2023 £000	2022 £000
Arising from government grants	583	666
Deferred income is included in the financial statements as follows:		
Current liabilities	83	83
Non-current liabilities	500	583
	583	666

24 Retirement benefit schemes

	2023 £000	2022 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	727	676

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions amounting to £89k (2022 - £81k) were payable to the scheme at the end of the year and are included in creditors.

25 Share capital

	2023 Number	2022 Number	2023 £000	2022 £000
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of 10p each	5,000,000	5,000,000	500	500
B Ordinary shares of 10p each	48,700	81,400	5	8
C Redeemable Ordinary shares of 10p each	17,578	17,578	2	2
D Ordinary shares of 10p each	27,000	-	3	-
Z Ordinary shares of 10p each	32,700	-	3	-
	5,125,978	5,098,978	513	510

Movements in share capital

On 5 October 2022, the company re-designated 32,700 B Ordinary shares of 10p each to 32,700 Z Ordinary shares of 10p each.

On the same date, the company issued 27,000 D Ordinary shares calling up a total of 10p per share. The uncalled element of the shares issued is £9.90 per share.

Rights attached to share classes

The A, B and C Ordinary shares have full voting, dividend and capital distribution rights although do not confer any rights of redemption. In the event of a sale of the company the B and C Ordinary shares are entitled to an increasing share of the total proceeds as the total proceeds increase.

The D and Z Ordinary shares have no voting, dividend rights or rights of redemption but do have full capital distribution rights. In the event of a sale of the company the D Ordinary shares are entitled to an increasing share of the total proceeds as the total proceeds increase.

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

26 Profit and loss reserves

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

27 Acquisition

On 30 November 2022 the company acquired an income generating unit from Balmoral Tanks Limited.

The cost of the acquisition was settled through intercompany debt. The acquisition has been accounted for using the acquisition method of accounting.

The goodwill arising on acquisition is considered to have a useful life of 10 years.

At 30 November 2022, the assets acquired were recognised at the fair value to the company as set out below:

	Fair Value £000
Tangible fixed assets	479
Goodwill	4,521
Total consideration	<u>5,000</u>
Satisfied by:	£000
Intercompany debt	<u>5,000</u>

28 Financial commitments, guarantees and contingent liabilities

There are contingent liabilities arising from contractual obligations entered into in the normal course of business including, at the balance sheet date £6,161k (2022 - £6,335k) in respect of contract performance and tender guarantees issue by the company's bankers or insurers.

29 Operating lease commitments

Lessee

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

	2023 £000	2022 £000
Within one year	2,032	2,032
Between two and five years	7,664	7,673
In over five years	3,800	5,700
	<u>13,496</u>	<u>15,405</u>

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023 £000	2022 £000
Acquisition of tangible fixed assets	156	1,048

31 Related party transactions

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

The company was recharged administration costs by and paid rent to Balmoral Park Limited, a fellow subsidiary undertaking amounting to £2,854k (2022 - £2,746k). As the companies also undertake cash pooling transactions the company was owed £4,337k by Balmoral Park Limited at 31 March 2023 (2022 - £4,449k).

The company made purchases from Balmoral Tanks Limited a fellow subsidiary undertaking, amounting to £2,602k (2022 - £2,875k). The company owed £2,383k to Balmoral Tanks Limited at 31 March 2023 (2022 - £2,712k (owed by)).

The company made purchases from Balmoral Group Holdings Limited, its ultimate parent company, amounting to £2,953k (2022 - £2,477k). As the companies also undertake cash pooling transactions the company owed £10,240k to Balmoral Group Holdings Limited at 31 March 2023 (2022 - £26,642k (owed by)).

The company made purchases from Water Environment Treatment Limited, a fellow subsidiary undertaking, amounting to £0.5k (2022 - £1k) and sales of £1k (2022 - £nil). The company was owed £1k by Water Environment Treatment Limited at 31 March 2023 (2022 - £1k (owed to)).

The company made purchases from Blaze Manufacturing Limited, a fellow subsidiary undertaking, amounting to £426k (2022 - £785k) and sales of £23k (2022 - £113k). The company was owed £4k by Blaze Manufacturing Limited at 31 March 2023 (2022 - £22k (owed to)).

Transactions with other related parties

Sir J S Milne CBE is a trustee and grantee and W E Main a trustee of the Friends of ANCHOR Trust. During the year the total donations to this trust were as follows:

	2023 £000	2022 £000
Friends of ANCHOR Trust	3	1

BALMORAL COMTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

32 Ultimate controlling party

The company's immediate and ultimate parent company is Balmoral Group Holdings Limited, a company registered in Scotland. The registered office of Balmoral Group Holdings Limited is Balmoral Park, Loirston, Aberdeen, AB12 3GY.

The smallest and largest group in which the results of the company are consolidated is that headed by Balmoral Group Holdings Limited. No other group accounts include the results of the company. The consolidated accounts of this group are available to the public and may be obtained from the Registrar of Companies, 139 Fountainbridge, Edinburgh, EH3 9FF.

The ultimate controlling party is Sir J S Milne CBE.