

ANNUAL REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

DRUMGRANGE LIMITED

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# DRUMGRANGE LIMITED

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## COMPANY INFORMATION

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**Directors**

G Howe  
B Howe  
R Howe  
S Abraham  
P Hardman

**Company secretary**

G Howe

**Registered number**

01460044

**Registered office**

Unit A The Forum  
Hanworth Lane  
Chertsey  
Surrey  
KT16 9JX

**Independent auditors**

Menzies LLP  
Chartered Accountants & Statutory Auditor  
36 Station Road  
Egham  
Surrey  
TW20 9LF

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# DRUMGRANGE LIMITED

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## CONTENTS

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	Page
<b>Strategic Report</b>	1 - 2
<b>Directors' Report</b>	3 - 4
<b>Independent Auditors' Report</b>	5 - 8
<b>Statement of Income and Retained Earnings</b>	9
<b>Statement of Financial Position</b>	10
<b>Statement of Cash Flows</b>	11
<b>Analysis of Net Debt</b>	12
<b>Notes to the Financial Statements</b>	13 - 23

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# DRUMGRANGE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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### **Introduction**

The directors present their Strategic Report for the year ended 31 December 2022.

### **Principal activity and business review**

The company executes defence contracts in both the Maritime and Land domains. These contracts can be performed either direct with the Ministry of Defence or as sub-contracts into the large tier one Primes. Drumgrange Operates from its two sites in Chertsey, and Portland.

The company is typically engaged in the design, development, integration and qualification of designated projects in the areas of Sonar, Communications and Signature Management. As part of the project delivery the highly qualified and experienced teams will be asked to deliver innovative solutions. Revenue is also generated from on-going support contracts which provides some stability for future years.

The company takes advantage of the Research and Development tax credit scheme, not only for qualifying designated projects, but also for private venture work (effectively the team will search for targeted innovative solutions, which may result in future marketable products).

During the year the company benefited from several major contracts resulting in higher revenue levels and a healthy pipeline of work.

As shown in the company's statement of income and retained earnings on page 9, the company's turnover increased by 18.8% (2021 – 21.3%) compared to the previous year which has resulted in a profit before tax of £570,301 (2021 – profit before tax of £666,111). The directors anticipate continued profitability in 2023 as the company continues to retain a healthy pipeline of work.

The statement of financial position on page 10 of the financial statements shows an decrease in net assets due to excess dividends over profits in the year to a value of £6,154,681 however the balance sheet remains healthy and solvent.

### **Principal risks and uncertainties**

The company's revenue is largely from the undertaking of naval and military defence contracts, it remains exposed to increased risk that defence spending may reduce. However, given the increase global uncertainty and the recognition by government of the need to retain higher defence spend, this risk has reduced.

The company operates in a niche industry, with a number of larger competitors and competition remains challenging.

The key barrier to further growth remains retaining and recruiting experienced and qualified staff in a competitive market.

### **Interest rate risk**

The company finances its operations through cash held from retained profits. It does have borrowings in respect of its Portland site. The company currently borrows at a fixed rate of interest above the Bank of England base rate which in the director's opinion is sustainable for the next 12 months however they actively monitor the market in conjunction with the bank to manage the company's exposure to interest rate fluctuations.

### **Liquidity and cash flow risk**

The company manages its liquidity risk by structuring their borrowings to ensure repayments are made over a suitable period. Cash flow risk is managed through daily monitoring of working capital requirements.

### **Financial risk management, objectives and policies**

There are no matters concerning financial risk which are material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

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# DRUMGRANGE LIMITED

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### **Financial key performance indicators**

The directors will continue to review the operating performance of the company on a regular basis.

The main key performance indicators the directors used to monitor performance during 2022 were;

### **Gross profit margin**

The gross profit margin is 20.5% but this remains consistent based on historical levels.

### **Cashflow**

The company has cash reserves of £4.2m (2021: £4.5m). The company generates consistent cash inflows from operations and has liabilities that are known and are usually discharged without recourse to external funding.

The company regularly pays dividends but will only do so where adequate cash reserves are maintained. It was noted that dividends totalling £533,050 (2021 - £Nil) were paid in the period.

The company operated throughout the period within the overall facilities provided by the bank.

### **Going concern**

The business retains sufficient reserves and cash to manage periodic slow downs, and therefore the accounts should be prepared on a going concern basis.

### **Future Developments**

The company continues to invest in Research and Development, and continues to win long term projects, as well as continuing to receive income from reoccurring support work.

The new management team are also now well established and continue to evolve the business to meet new technological and commercial challenges.

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

.....  
**G Howe**  
Director

Date: 3 August 2023

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# DRUMGRANGE LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

### Directors

The directors who served during the year were:

G Howe  
B Howe  
R Howe  
S Abraham  
P Hardman

### Directors' Responsibilities Statement

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 of the profit or loss of the company for that year.

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;
- 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.

### Results and dividends

The profit/loss for the year, after taxation, amounted to £432,615 (2021 - £615,293).

Dividends paid in the year amounted to £533,050 (2021 - £Nil).

### Research and Development

Drumgrange provides Research and Development activities in a number of specialist areas. These include Sonar signal processing, VLF communications and Training and Simulation. Core to these activities is the provision of mathematical modelling and simulation services, Technical and Feasibility Studies, System Prototyping and Evaluation and the Provision of System Simulators and Stimulators.

### Disclosure of information in the strategic report

The company has chosen in accordance with Section 414C(11) of the companies Act 2006 (Strategic Report and Directors'

Report) regulations 2013 to set out within the company's Strategic Report, the Company's Strategic Report Information required by Schedule 7 of the large and Medium Sized Companies and Groups (Accounts and Report) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties and future developments.

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# DRUMGRANGE LIMITED

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## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### Disclosure of information to auditors

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

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

### Auditor

Under section 487(2) of the Companies Act 2006, Menzies LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

.....  
**G Howe**

Director

Date: 3 August 2023

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRUMGRANGE LIMITED**

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**Opinion**

We have audited the of Drumgrange Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including a summary of 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 :

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 Auditors' responsibilities for the audit of the section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the in the United Kingdom, including the Financial Reporting Council'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 Auditors' 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRUMGRANGE LIMITED  
(CONTINUED)**

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**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the are prepared is consistent with the ;  
and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the 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 or 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 set out on page , the directors are responsible for the preparation of the 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 that are free from material misstatement, whether due to fraud or error.

In preparing the , 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRUMGRANGE LIMITED  
(CONTINUED)**

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**Auditors' responsibilities for the audit of the financial statements**

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

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

- The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including UK Companies Act, employment law and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The assessment did not identify any issues in this area.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process; and
  - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
- As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:
  - Posting of unusual journals out of the normal course of business that may inflate revenue;
  - Estimates used in calculating amounts recoverable on long term contracts in relation to final costs to complete.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRUMGRANGE LIMITED  
(CONTINUED)

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**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 Auditors' 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.

Sophie Said FCA (Senior Statutory Auditor)

for and on behalf of  
**Menzies LLP**

Chartered Accountants  
Statutory Auditor

36 Station Road  
Egham  
Surrey  
TW20 9LF

3 August 2023

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# DRUMGRANGE LIMITED

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## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2022

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	Note	2022 £	2021 £
Turnover	5	14,742,623	12,404,796
Cost of sales		(11,714,420)	(9,593,110)
<b>Gross profit</b>		<b>3,028,203</b>	<b>2,811,686</b>
Administrative expenses		(3,048,633)	(2,608,318)
Other operating income	6	597,011	472,012
<b>Operating profit</b>	7	<b>576,581</b>	<b>675,380</b>
Interest receivable and similar income		2,800	289
Interest payable and similar expenses	10	(9,080)	(9,558)
<b>Profit before tax</b>		<b>570,301</b>	<b>666,111</b>
Tax on profit	11	(137,686)	(50,818)
<b>Profit after tax</b>		<b>432,615</b>	<b>615,293</b>
Retained earnings at the beginning of the year		6,255,016	5,639,723
		6,255,016	5,639,723
Profit for the year		432,615	615,293
Dividends declared and paid		(533,050)	-
<b>Retained earnings at the end of the year</b>		<b>6,154,581</b>	<b>6,255,016</b>

The notes on pages 13 to 23 form part of these financial statements.

**DRUMGRANGE LIMITED**  
**REGISTERED NUMBER:01460044**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	12	<u>1,865,259</u>	<u>2,005,082</u>
		1,865,259	2,005,082
<b>Current assets</b>			
Stocks	13	133,038	125,269
Debtors: amounts falling due within one year	14	2,574,177	3,219,203
Cash at bank and in hand		<u>4,170,433</u>	<u>4,544,549</u>
		6,877,648	7,889,021
Creditors: amounts falling due within one year	15	<u>(2,258,465)</u>	<u>(3,267,500)</u>
<b>Net current assets</b>		<u>4,619,183</u>	<u>4,621,521</u>
<b>Total assets less current liabilities</b>		<u>6,484,442</u>	<u>6,626,603</u>
Creditors: amounts falling due after more than one year	16	(289,488)	(313,996)
<b>Provisions for liabilities</b>			
Deferred tax	17	<u>(40,273)</u>	<u>(57,491)</u>
		(40,273)	(57,491)
<b>Net assets</b>		<u><u>6,154,681</u></u>	<u><u>6,255,116</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	100	100
Profit and loss account	19	<u>6,154,581</u>	<u>6,255,016</u>
		<u><u>6,154,681</u></u>	<u><u>6,255,116</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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**G Howe**  
 Director

Date: 3 August 2023

The notes on pages 13 to 23 form part of these financial statements.

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# DRUMGRANGE LIMITED

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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	2022 £	2021 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	432,615	615,293
<b>Adjustments for:</b>		
Depreciation of tangible assets	212,353	189,538
Loss on disposal of tangible assets	-	(4,130)
Interest paid	9,080	9,558
Interest received	(2,800)	(289)
Taxation charge	137,686	50,818
(Increase)/decrease in stocks	(7,769)	149,379
Decrease in debtors	258,977	122,389
(Decrease)/increase in creditors	(1,003,079)	1,663,063
Corporation tax received	828,156	-
Accrued (income)/expenses	(597,011)	(472,012)
<b>Net cash generated from operating activities</b>	<u>268,208</u>	<u>2,323,607</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(72,530)	(446,209)
Sale of tangible fixed assets	-	13,948
Interest received	2,800	289
<b>Net cash from investing activities</b>	<u>(69,730)</u>	<u>(431,972)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(30,464)	(31,883)
Dividends paid	(533,050)	-
Interest paid	(9,080)	(9,558)
<b>Net cash used in financing activities</b>	<u>(572,594)</u>	<u>(41,441)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(374,116)</u>	<u>1,850,194</u>
Cash and cash equivalents at beginning of year	4,544,549	2,694,355
<b>Cash and cash equivalents at the end of year</b>	<u>4,170,433</u>	<u>4,544,549</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	4,170,433	4,544,549
	<u>4,170,433</u>	<u>4,544,549</u>

The notes on pages 13 to 23 form part of these financial statements.

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# DRUMGRANGE LIMITED

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## ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 DECEMBER 2022

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	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	4,544,549	(374,116)	4,170,433
Debt due after 1 year	(313,996)	24,508	(289,488)
Debt due within 1 year	(33,194)	5,956	(27,238)
	<u>4,197,359</u>	<u>(343,652)</u>	<u>3,853,707</u>

The notes on pages 13 to 23 form part of these financial statements.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'

### 2. Company information

Drumgrange Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office which is its principal place of business, is disclosed on the company information page.

### 3. Accounting policies

#### 3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

#### 3.2 Revenue

The revenue shown in the profit and loss account represents amounts receivable for goods and services provided during the year in the normal course of business, net of trade discounts, VAT and other sales related taxes.

In respect of long-term contracts and contracts for on-going services, revenue represents the value of work done in the year, including estimates of amounts not invoiced. Revenue from the rendering of these services are measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable based on costs incurred to date.

#### 3.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3. Accounting policies (continued)

#### 3.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on both a straight line and reducing balance basis.

Depreciation is provided on the following basis:

Frochold property	- 2% straight line on cost
Long-term leasehold property	- over period of lease
Motor vehicles	- 25% reducing balance
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 3.4 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 3.5 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

#### 3.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 3.7 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 3.8 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3. Accounting policies (continued)

#### 3.9 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

#### 3.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 3.11 Amounts recoverable on contracts

Amounts recoverable on contracts represent the excess of the value of work carried out to the balance sheet date over cumulative payments on account.

#### 3.12 Payments on account

Payments on account included in creditors represent the excess of payments on account received over the value of work carried out to the balance sheet date.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 3. Accounting policies (continued)

#### 3.13 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 4. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions

that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Estimates of the costs to complete in long term projects - the matching of revenue and costs on the long term projects is based on the total costs to complete estimated at the tender stage. Where additional costs are incurred due to customer variations on contracts, additional revenue is either agreed or any changes to the expected margin is recognised at the earliest stage. The estimate of overall costs to complete is one of the largest estimates affecting the amount of revenue recognised.

### 5. Turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£	£
Rendering services	14,742,623	12,404,796
	<u>14,742,623</u>	<u>12,404,796</u>
	2022	2021
	£	£
United Kingdom	14,742,623	12,404,796
	<u>14,742,623</u>	<u>12,404,796</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 6. Other operating income

	2022	2021
	£	£
Research & Development expenditure credit	597,011	472,012
	<u>597,011</u>	<u>472,012</u>

### 7. Profit before taxation

The profit before taxation is stated after charging:

	2022	2021
	£	£
Research & development charged as an expense	4,592,393	3,630,862
Depreciation of tangible fixed assets	212,353	189,538
Other operating lease rentals	131,749	137,179
Defined contribution costs	319,636	183,678
Fees payable for the audit of the financial statements	<u>30,500</u>	<u>28,000</u>

### 8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£	£
Wages and salaries	6,673,830	5,457,673
Social security costs	828,485	650,409
Cost of defined contribution scheme	319,636	183,678
	<u>7,821,951</u>	<u>6,291,760</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Production staff	106	86
Administrative staff	8	8
Directors	5	5
	<u>119</u>	<u>99</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	571,514	485,774
Company contributions to defined contribution pension schemes	12,203	46,335
	<u>583,717</u>	<u>532,109</u>

During the year retirement benefits were accruing to no directors (2021 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £160,000 (2021 - £140,000) and benefits in kind totalling £7,322 (2021 - £7,413).

### 10. Interest payable and similar expenses

	2022 £	2021 £
Mortgage interest payable	9,080	9,558
	<u>9,080</u>	<u>9,558</u>

### 11. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	25,699	(15,298)
Adjustments in respect of previous periods	15,773	(41,472)
Current year charge on RDEC	113,432	89,682
	<u>154,904</u>	<u>32,912</u>
<b>Total current tax</b>	<u>154,904</u>	<u>32,912</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,086)	4,107
Effect of change in UK tax rates	(4,132)	13,799
	<u>(17,218)</u>	<u>17,906</u>
<b>Total deferred tax</b>	<u>(17,218)</u>	<u>17,906</u>
<b>Taxation on profit on ordinary activities</b>	<u>137,686</u>	<u>50,818</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>570,301</u>	<u>666,111</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	108,357	126,561
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	608	1,891
Capital allowances for year in excess of depreciation	5,690	1,765
Deferred tax not recognised on RDEC	113,432	89,682
Research and development claim	(108,355)	(146,535)
Adjustments to tax charge in respect of prior periods	15,772	(41,472)
Surrender of tax losses for R&D credit refund	-	4,747
Other permanent differences	-	380
Effect of change in UK tax rates	(4,132)	13,799
R&D expenditure credits	6,314	-
<b>Total tax charge for the year</b>	<u>137,686</u>	<u>50,818</u>

#### Factors that may affect future tax charges

Change to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 10 June 2021. These include an increment of the rate of corporation tax to 25% from 19% from 1 April 2023.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 12. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Motor vehicles £	Computer Equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2022	1,821,370	582,195	442,550	473,712	3,319,827
Additions	-	-	-	72,530	72,530
At 31 December 2022	<u>1,821,370</u>	<u>582,195</u>	<u>442,550</u>	<u>546,242</u>	<u>3,392,357</u>
<b>Depreciation</b>					
At 1 January 2022	311,209	435,272	297,690	270,574	1,314,745
Charge for the year on owned assets	30,008	18,365	36,267	127,713	212,353
At 31 December 2022	<u>341,217</u>	<u>453,637</u>	<u>333,957</u>	<u>398,287</u>	<u>1,527,098</u>
<b>Net book value</b>					
At 31 December 2022	<u>1,480,153</u>	<u>128,558</u>	<u>108,593</u>	<u>147,955</u>	<u>1,865,259</u>
<i>At 31 December 2021</i>	<u>1,510,161</u>	<u>146,923</u>	<u>144,860</u>	<u>203,138</u>	<u>2,005,082</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 13. Stocks

	2022	2021
	£	£
Raw materials and consumables	133,038	125,269
	<u>133,038</u>	<u>125,269</u>

In the opinion of the directors, the replacement cost of stocks is not materially different from the values included in the financial statements.

### 14. Debtors

	2022	2021
	£	£
Trade debtors	676,397	855,154
Other debtors	3,150	-
Prepayments and accrued income	119,046	42,874
Amounts recoverable on long-term contracts	1,292,005	1,451,547
Tax recoverable	483,579	869,628
	<u>2,574,177</u>	<u>3,219,203</u>

### 15. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank loans	27,238	33,194
Trade creditors	843,465	948,305
Other taxation and social security	610,292	979,908
Other creditors	1,087	1,087
Accruals and deferred income	776,383	1,305,006
	<u>2,258,465</u>	<u>3,267,500</u>

There is a £500,000 overdraft facility and a £255,000 CLASS guarantee facility available to Drumgrange Limited which is secured against the assets of the business. There are two additional guarantees of £12,082 and £39,631 which are also held against the assets of the business.

The bank loans are secured by a legal charge on the company's freehold properties, Units 1 & 2, The Forum, Chertsey and Unit 15, South Way, Portland.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 16. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Bank loans	289,488	313,996
	<u>289,488</u>	<u>313,996</u>

The bank loans are secured by a legal charge on the company's freehold properties, Units 1 & 2, The Forum, Chertsey and Unit 15, South Way, Portland.

Included above within creditors is an amount of £131,783 (2021 - £161,671) in respect of liabilities payable or repayable by installments which fall due for payment after more than five years from the reporting date.

This amount is repayable at a rate of the Bank of England Base Rate + 2.5%.

### 17. Deferred taxation

	2022
	£
At beginning of year	(57,491)
Charged to profit or loss	17,218
<b>At end of year</b>	<b><u>(40,273)</u></b>

The provision for deferred taxation is made up as follows:

	2022	2021
	£	£
Accelerated capital allowances	(40,273)	(57,491)
	<u>(40,273)</u>	<u>(57,491)</u>

### 18. Share capital

	2022	2021
	£	£
<b>Allotted, called up and fully paid</b>		
210 (2021 - 410) Ordinary shares of £0.01 each shares of £0.01 each	2	4
9,790 (2021 - 9,590) Ordinary A shares of £0.01 each shares of £0.01 each	98	96
	<u>100</u>	<u>100</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 19. Reserves

#### Profit and loss account

This reserve records retained earnings and accumulated losses.

### 20. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	128,864	128,864
Later than 1 year and not later than 5 years	500,000	503,864
Later than 5 years	218,403	343,403
	<u>847,267</u>	<u>976,131</u>

### 21. Related party transactions

During the year dividends were paid to Mr G Howe totalling £488,950 (2021: £nil), Mrs B Howe of £38,500 (2021: £nil), Mrs S Abraham of £1,680 (2021: £nil) and Mr P Hardman £3,920 (2021: £nil).

The company rents premises from the Drumgrange Ltd Retirement Benefit Scheme, a pension scheme of which Mr

G Howe and Mrs B Howe are trustees and beneficiaries, for an annual rental of £129,250 (2021: £125,000). At the year end the company owed £37,500 to the Drumgrange Retirement Benefit Scheme in respect of rent (2021: £37,500).

During the year services were provided by a company, owned by a close family member. Total transactions in the year equated to £20,406 with the year end balance due of £7,889 (2021: £9,683).

### 22. Controlling party

The company is controlled by G. Howe, a director, by virtue of his majority interest in the issued ordinary share capital of the company.

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