

ANNUAL REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

DRUMGRANGE LIMITED

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# DRUMGRANGE LIMITED

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## COMPANY INFORMATION

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<b>Directors</b>	G Howe B Howe R Howe S Abraham P Hardman
<b>Company secretary</b>	G Howe
<b>Registered number</b>	01460044
<b>Registered office</b>	Unit A The Forum Hanworth Lane Chertsey Surrey KT16 9JX

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# DRUMGRANGE LIMITED

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# DRUMGRANGE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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### **Introduction**

The directors present their Strategic Report for the year ended 31 December 2020.

### **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 was impacted by a wider industry slowdown, which followed on from COVID-19, with several major contracts due to start towards the end of the year and other project tenders, being pushed back into 2021.

As shown in the company's statement of income and retained earnings on page 9, the company's turnover decreased by 12.65% compared to the previous year which has resulted in a loss before tax of (£163,907) (2019 – profit before tax of £439,632). Whilst the results are explainable due to the wider slowdown, they were still disappointing. However, as anticipated - the directors have seen a return to profitability and increased turnover levels in 2021. With the technological investments, the directors consider the company well positioned to deal with the increased levels of demand.

The statement of financial position on page 10 of the financial statements shows a decrease in net assets to a value of £5,639,823 although the balance sheet still remains healthy and solvent.

### **Principal risks and uncertainties**

Given the company's revenue is largely from the undertaking of naval and military defence contracts, it remains exposed to increased risk that, in light of COVID-19, defence spending may reduce.

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

Whilst 2020 saw a reduction in activity, there remain many opportunities to grow the business further in 2021. However, the key barrier remains retaining and recruiting experienced and qualified staff in a competitive market.

#### *Interest rate risk*

The company finances its operations through a mixture of retained profits and bank borrowings. 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 2020

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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 2020 were;

#### *Gross profit margin*

The gross profit margin is 18.2% (2019 - 20%) although a slight reduction this remains consistent based on historical levels.

#### *Cashflow*

The company has cash reserves of £2.7m (2019: £2.3m). 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.

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

#### *Going concern*

The emergence and spread of COVID-19 in 2020 and the associated social distancing measures and imposed travel restrictions have significantly impacted businesses globally.

Whilst COVID-19 has impacted the company, given the current uncertainties that exist regarding the duration and extent of the pandemic, at this stage it is not possible to reliably forecast the extent of this impact.

In response to the pandemic and uncertainty, the directors have taken measures in order to safeguard cashflow, customers and supply chain that they believe should enable them to continue in operational existence.

The business retains sufficient reserves to deal with further slowdowns that may result in the future, however the pipeline of work for 2021 and 2022 looks healthy and therefore the accounts should be prepared on a going concern basis.

### Future Developments

The company has been successful recently in winning several 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: 22 December 2021

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# DRUMGRANGE LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their report and the financial statements for the year ended 31 December 2020.

### 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 (£71,895) (2019 as restated - £523,758).

Particulars of recommended dividends are detailed in note 12 to the financial statements.

### 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 2020

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### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' 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.

### Auditors

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: 22 December 2021

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

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**Opinion**

We have audited the financial statements of Drumgrange Limited (the 'Company') for the year ended 31 December 2020, 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 financial statements:

· give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss 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 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 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.

**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 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.

**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 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.

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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 financial statements 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 area:
  - ° Posting of unusual journals; and,
  - ° Misstatement of revenue recognition due to accounting estimates.

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-forauditors/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

22 December 2021

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# DRUMGRANGE LIMITED

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## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2020

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	Note	2020 £	As restated 2019 £
Turnover	5	10,229,160	11,711,294
Cost of sales		(8,365,887)	(9,368,158)
<b>Gross profit</b>		<b>1,863,273</b>	<b>2,343,136</b>
Administrative expenses		(2,402,834)	(2,278,557)
Other operating income	6	387,356	376,497
<b>Operating (loss)/profit</b>	7	<b>(152,205)</b>	<b>441,076</b>
Interest receivable and similar income		1,538	12,261
Interest payable and similar expenses	10	(13,240)	(13,705)
<b>(Loss)/profit before tax</b>		<b>(163,907)</b>	<b>439,632</b>
Tax on (loss)/profit	11	92,012	84,126
<b>(Loss)/profit after tax</b>		<b>(71,895)</b>	<b>523,758</b>
<b>Retained earnings</b>			
- as previously stated		5,676,007	5,863,140
- correction of a prior period error		244,391	-
<b>At the beginning of the year as restated</b>		<b>5,920,398</b>	<b>5,863,140</b>
(Loss)/profit for the year		(71,895)	523,758
Dividends declared and paid		(208,780)	(466,500)
<b>Retained earnings at the end of the year</b>		<b>5,639,723</b>	<b>5,920,398</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 2020**

	Note	2020 £	As restated 2019 £
<b>Fixed assets</b>			
Tangible assets	13	1,758,228	1,868,460
		<u>1,758,228</u>	<u>1,868,460</u>
<b>Current assets</b>			
Stocks	14	274,648	285,838
Debtors: amounts falling due within one year	15	2,902,493	3,117,228
Cash at bank and in hand		2,694,355	2,259,361
		<u>5,871,496</u>	<u>5,662,427</u>
Creditors: amounts falling due within one year	16	(1,600,207)	(1,184,530)
<b>Net current assets</b>		<u>4,271,289</u>	<u>4,477,897</u>
<b>Total assets less current liabilities</b>		<u>6,029,517</u>	<u>6,346,357</u>
Creditors: amounts falling due after more than one year	17	(350,109)	(379,073)
<b>Provisions for liabilities</b>			
Deferred tax	18	(39,585)	(46,786)
		<u>(39,585)</u>	<u>(46,786)</u>
<b>Net assets</b>		<u>5,639,823</u>	<u>5,920,498</u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Profit and loss account	20	5,639,723	5,920,398
		<u>5,639,823</u>	<u>5,920,498</u>

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

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

Date: 22 December 2021

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

# DRUMGRANGE LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	<i>As restated</i>
	£	2019 £
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(71,895)	523,758
<b>Adjustments for:</b>		
Depreciation of tangible assets	191,439	115,778
Loss on disposal of tangible assets	-	(349)
Interest paid	13,240	13,705
Interest received	(1,538)	(12,261)
Taxation charge	(92,012)	(84,126)
Decrease/(increase) in stocks	11,190	(260,838)
Decrease in debtors	137,855	1,134,411
Increase/(decrease) in creditors	415,677	(443,141)
Corporation tax received	549,047	376,104
Accrued (income)/expenses	(387,356)	(376,497)
<b>Net cash generated from operating activities</b>	<u>765,647</u>	<u>986,544</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(81,207)	(540,791)
Sale of tangible fixed assets	-	8,000
Interest received	1,538	12,261
<b>Net cash from investing activities</b>	<u>(79,669)</u>	<u>(520,530)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(28,964)	(28,509)
Dividends paid	(208,780)	(466,500)
Interest paid	(13,240)	(13,705)
<b>Net cash used in financing activities</b>	<u>(250,984)</u>	<u>(508,714)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>434,994</u>	<u>(42,700)</u>
Cash and cash equivalents at beginning of year	<u>2,259,361</u>	<u>2,302,061</u>
<b>Cash and cash equivalents at the end of year</b>	<u><u>2,694,355</u></u>	<u><u>2,259,361</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>2,694,355</u>	<u>2,259,361</u>
	<u><u>2,694,355</u></u>	<u><u>2,259,361</u></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 2020

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	At 1 January 2020 £	Cash flows £	Other non-cash changes £	At 31 Decembe 2020
Cash at bank and in hand	2,259,361	434,994	-	2,694,355
Debt due after 1 year	(379,073)	-	28,964	(350,109)
Debt due within 1 year	(28,964)	-	-	(28,964)
	<u>1,851,324</u>	<u>434,994</u>	<u>28,964</u>	<u>2,315,282</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 2020

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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 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

#### 3.4 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 2020

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### 3. Accounting policies (continued)

#### 3.4 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.

#### 3.5 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.

#### 3.6 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.

#### 3.7 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.

#### 3.8 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.

#### 3.9 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.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. Accounting policies (continued)

#### 3.10 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.

#### 3.11 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 Statement of Financial Position 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.

#### 3.12 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.

#### 3.13 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 2020

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### 3. Accounting policies (continued)

#### 3.14 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.

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:

- Useful Life of tangible assets
- Stage of completion of the long term projects
- Estimates of the costs to complete in long term projects

### 5. Turnover

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

	2020	2019
	£	£
Rendering of services	10,229,160	11,711,294
	<u>10,229,160</u>	<u>11,711,294</u>
	2020	2019
	£	£
United Kingdom	10,229,160	11,711,294
	<u>10,229,160</u>	<u>11,711,294</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 6. Other operating income

	2020	2019
	£	£
Research & Development expenditure credit	387,356	376,497
	<u>387,356</u>	<u>376,497</u>

### 7. Profit before taxation

The profit before taxation is stated after charging:

	2020	<i>As restated</i> 2019
	£	£
Research & development expenditure written off	3,037,760	3,137,471
Exchange differences	193,483	115,789
Other operating lease rentals	146,420	135,284
Defined contribution costs	180,850	189,639
Fees payable for the audit of the financial statements	20,500	19,100
	<u>5,579,813</u>	<u>5,607,383</u>

### 8. Employees

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

	2020	2019
	£	£
Wages and salaries	4,987,797	4,777,328
Social security costs	593,053	570,070
Cost of defined contribution scheme	180,850	187,494
	<u>5,761,700</u>	<u>5,534,892</u>

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

	2020	2019
	No.	No.
Production staff	82	81
Administrative staff	10	11
Directors	5	6
	<u>97</u>	<u>98</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 9. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	448,635	398,106
Company contributions to defined contribution pension schemes	57,806	47,572
	<u>506,441</u>	<u>445,678</u>

During the year retirement benefits were accruing to 3 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £116,667 (2019 - £130,000).

### 10. Interest payable and similar expenses

	2020	2019
	£	£
Mortgage interest payable	13,240	13,705
	<u>13,240</u>	<u>13,705</u>

### 11. Taxation

	2020	<i>As restated</i> 2019
	£	£
<b>Corporation tax</b>		
Current tax on profits for the year	(158,218)	(202,638)
Adjustments in respect of previous periods	(191)	191
Current year charge on RDEC	73,598	71,535
	<u>(84,811)</u>	<u>(130,912)</u>
<b>Total current tax</b>	<u>(84,811)</u>	<u>(130,912)</u>
<b>Deferred tax</b>		
Fixed asset timing differences	(7,201)	46,786
<b>Total deferred tax</b>	<u>(7,201)</u>	<u>46,786</u>
<b>Taxation on loss on ordinary activities</b>	<u>(92,012)</u>	<u>(84,126)</u>

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	As restated 2019 £
(Loss)/profit on ordinary activities before tax	<u>(163,907)</u>	<u>439,632</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(31,142)	83,530
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	226
Capital allowances for year in excess of depreciation	5,444	5,444
Deferred tax not recognised on RDEC	73,598	71,142
Research and development claim	(194,380)	(270,161)
Adjustments to tax charge in respect of prior periods	(191)	(191)
Surrender of tax losses for R&D credit refund	49,102	62,888
Other permanent differences	5,557	(8,041)
Movement in deferred tax not recognised	-	(28,963)
<b>Total tax charge for the year</b>	<u>(92,012)</u>	<u>(84,126)</u>

### 12. Dividends

	2020 £	2019 £
Equity dividends	<u>208,780</u>	<u>466,500</u>
	<u>208,780</u>	<u>466,500</u>

# DRUMGRANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Motor vehicles £	Computer Equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2020	1,586,370	435,272	481,555	383,167	2,886,364
Additions	-	-	25,216	55,991	81,207
At 31 December 2020	<u>1,586,370</u>	<u>435,272</u>	<u>506,771</u>	<u>439,158</u>	<u>2,967,571</u>
<b>Depreciation</b>					
At 1 January 2020	252,180	435,272	282,556	47,896	1,017,904
Charge for the year on owned assets	28,652	-	54,474	108,313	191,439
At 31 December 2020	<u>280,832</u>	<u>435,272</u>	<u>337,030</u>	<u>156,209</u>	<u>1,209,343</u>
<b>Net book value</b>					
At 31 December 2020	<u>1,305,538</u>	<u>-</u>	<u>169,741</u>	<u>282,949</u>	<u>1,758,228</u>
<i>At 31 December 2019</i>	<u>1,334,190</u>	<u>-</u>	<u>198,999</u>	<u>335,271</u>	<u>1,868,460</u>

### 14. Stocks

	2020 £	<i>As restated</i> 2019 £
Raw materials and consumables	274,648	285,838
	<u>274,648</u>	<u>285,838</u>

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

The prior period has been restated to recognise stock which was previously allocated to a specific project but was identified as a consumable and therefore recognised as such by removing the cost of the stock from cost of sales.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 15. Debtors

	2020	<i>As restated</i>
	£	2019
		£
Trade debtors	1,212,518	987,285
Prepayments and accrued income	42,451	63,766
Amounts recoverable on long term contracts	1,216,995	1,558,768
Tax recoverable	430,529	507,409
	<u>2,902,493</u>	<u>3,117,228</u>

The prior period has been restated in respect of tax recoverable to recognise the tax impact of a £41,447 reduction in the tax recoverable in respect of the prior year adjustment.

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

	2020	2019
	£	£
Bank loans	28,964	28,964
Trade creditors	336,035	805,496
Other taxation and social security	894,547	288,660
Other creditors	221,385	22,250
Accruals and deferred income	119,276	39,160
	<u>1,600,207</u>	<u>1,184,530</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.

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

	2020	2019
	£	£
Bank loans	350,109	379,073
	<u>350,109</u>	<u>379,073</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 £203,095 (2019 - £254,485) 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%.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 18. Deferred taxation

	2020 £
At beginning of year	(46,786)
Charged to profit or loss	7,201
<b>At end of year</b>	<b><u>(39,585)</u></b>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(39,585)	(46,786)
	<b><u>(39,585)</u></b>	<b><u>(46,786)</u></b>

### 19. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
510 (2019 - 510) Ordinary shares of £0.01 each shares of £0.01 each	5	5
9,490 (2019 - 9,490) Ordinary A shares of £0.01 each shares of £0.01 each	95	95
	<b><u>100</u></b>	<b><u>100</u></b>

### 20. Reserves

#### Profit and loss account

This reserve records retained earnings and accumulated losses.

### 21. Prior year adjustment

The details of the correction of a prior period error are given below:

i) An adjustment has been made in respect of stock as at 31 December 2019 to recognise the cost of stock items available for sale to third parties which had been previously allocated to a specific project. The increase in stock as at 31 December 2019 was £285,838 and cost of sales decreased by £285,838. This resulted in a decrease in the tax recoverable of £41,447.

After allowing for the corporation tax adjustments relating to the above, the retained earnings as at 1 January 2020 increased by £244,391.

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# DRUMGRANGE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 22. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	146,364	146,364
Later than 1 year and not later than 5 years	512,104	533,468
Later than 5 years	468,403	593,403
	<u>1,126,871</u>	<u>1,273,235</u>

### 23. Related party transactions

During the year dividends were paid to Mr G Howe totalling £195,580 (2019: £436,500) and Mrs B Howe of £13,200 (2019: £30,000).

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 £125,000 (2019: £112,250). At the year end the company owed £37,500 to the Drumgrange Retirement Benefit Scheme in respect of rent (2019: £37,500).

During the year services were provided by one companies, owned by a close family member. Total transactions in the year equated to £127,580 with the year end balance due of £8,718 (2019: £18,081).

### 24. 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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