

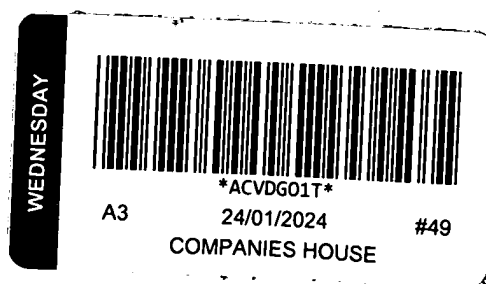
Dron & Dickson Group Limited

Annual Report and Financial Statements

Year Ended

31 May 2023

Company Number SC305554



Dron & Dickson Group Limited

Company Information

Directors	Colin Rowley Douglas Sedge June Walker John Strang Bruce McHattie Isla Robb Leonard Collins Thomas Irwin
Company secretary	S Rowley
Registered number	SC305554
Registered office	18 Whitehouse Road Springkerse Industrial Estate Stirling FK7 7SS
Independent auditor	BDO LLP 2 Atlantic Square 31 York Street Glasgow G2 8NJ
Bankers	Clydesdale Bank 56 Murray Place Stirling FK8 2BX
Solicitors	Harper MacLeod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE

Dron & Dickson Group Limited

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Dron & Dickson Group Limited

Group Strategic Report For the Year Ended 31 May 2023

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2023.

Business review

The group performed strongly overall in the year, delivering £51.3 million of revenues, a 27% increase on the prior year.

We completed the acquisition of Cable Solutions (Worldwide) Limited on 12 December 2022 and this contributed £4.6 million of revenues during the post acquisition period. Excluding the Cable Solutions business, Dron & Dickson revenues increased by 16% on the prior year.

Both Engineering Services and wholesale supply revenues increased, demonstrating our strategic initiatives are progressing well alongside relatively strong market conditions.

Profit before tax for the year decreased to £2.7 million from £3.2 million in the prior year which included an exceptional £1.1 million gain on sale relating to our UAE business disposal. Excluding exceptional costs, investment in new business development and non-trading currency movements, the group's underlying trading profit before tax increased by £1.1m. This reflected a combination of organic growth and a positive contribution from Cable Solutions in the second half of the year post acquisition.

In addition to the Cable Solutions acquisition, we continued to invest in additional operational capacity, business systems and our team to support continued growth in the future, delivering £0.7 million of capital expenditure and a 17% increase in indirect headcount.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are:

- Maintaining an excellent safety performance throughout the group
- External market conditions, including the continued impact on the UK and European economies of volatility in commodity prices and inflationary pressures
- Securing competent, experienced staff in a competitive market.

Operational performance

We moved our Aberdeen operations to new premises in Westhill in April – this modern facility provides a significant upgrade, doubling our warehouse and office capacity which provides room for continued growth and has also allowed us to implement more efficient flow of products through our warehouse, supported by our new ERP system which went live in June 2022.

The extra capacity has also facilitated increased investment in stock which has been a contributing factor to our sales growth as we strive to provide consistently excellent customer service and reduce lead times.

Our newest branch which we opened in Runcorn in June 2021 completed its second year of operation with a significant increase in customer accounts and revenues, and a positive contribution to company profits for the year. Having an established base in North-West England has undoubtedly opened up significant new opportunities in a number of market sectors in line with our diversification strategy.

Following the acquisition of Cable Solutions Worldwide Ltd, we have had a very smooth and successful integration process. This acquisition has provided significant cross selling synergies across all parts of our business with strong alignment between key sectors, and target customer base.

Our established manufacturer partnerships have enabled us to sustain our long-term customer contracts across the business, while new manufacturer relationships provide support to our strategy to diversify into new markets.

Dron & Dickson Group Limited

Group Strategic Report (continued) For the Year Ended 31 May 2023

Principal risks and uncertainties (continued)

Our Engineering Services business has also successfully secured contracts in new onshore market sectors while we continue to grow our traditional oil and gas business, operating with team of highly competent and qualified electrical technicians in the field across offshore and onshore client locations.

The combination of Engineering and Wholesale services has delivered significant financial returns for all parts of the company, with both the renewal of existing and award of new contracts. This has consolidated specialist services for our clients across multiple market sectors, as per the group's strategic objectives.

We established our cross-functional Renewables team during the year, bringing in additional resource and expertise dedicated to progressing market opportunities, particularly in offshore wind, hydrogen and carbon capture. We have established a healthy pipeline of work in these sectors as well as identifying new products and services specific to these sectors which will add to and complement our current capabilities.

Market demand

Our core MRO business in safety critical products and services again performed consistently well across the year and we maintained all our key long-term client contracts, and client maintenance programmes were completed as scheduled.

The relative stability in commodity prices has had a positive impact on client investments which have provided an increase in our project activity, particularly in the second half of the year and which has continued to date – both in the energy sectors and other industrial markets.

We continue to see demand for our products and services in new sectors identified in our strategic plans which will help support diversification and energy transition.

Financing structure

The business has again maintained its profitability and positive operating cash flow, allowing the company to invest for future growth. The Cable Solutions acquisition was mainly funded from cash reserves generated from operations, as was the fitout of the new Aberdeen facility.

The group increased its bank invoice finance facility to £5 million (renewed in August 2023) to provide additional capacity for further investment and increased working capital requirements, and our increasing sales provide scope to further increase our bank facility should that be required. There are no covenant requirements relating to this facility.

The group has reviewed forecast downside scenarios including a recessionary downturn in sales and inflationary driven cost increases. This stress testing analysis demonstrates that the company would maintain positive cash funding headroom under the worst case scenario envisaged by the directors and there are additional cash preservation measures available to the directors should they be deemed necessary to mitigate potential future downside risks. A substantial proportion of the group's costs are variable according to sales levels. While there is always a potential risk of bad debts, the group has experienced minimal bad debts in recent years, and this has continued to be the case to date. This record demonstrates the strength of the core customer base and the group's credit control processes.

Financial key performance indicators

- Turnover increased by 27% to £51.3 million
- Profit after tax decreased by £0.7m to £2.1m
- Net assets increased by £1.7 million to £12.3 million

Dron & Dickson Group Limited

Group Strategic Report (continued) For the Year Ended 31 May 2023

Future developments

The group mainly operates in the energy sector where geo-political change and business uncertainty remain key factors. However, the group also operates in a range of other sectors including refining, petrochemicals, pharmaceuticals, distilleries, marine and defence and it continues to develop plans to deliver growth by further expanding into these related sectors whilst maintaining its strong position in oil and gas and expanding its product and service portfolio.

Dron & Dickson remains committed to a just energy transition, not only through the diversification of our portfolio but also via the environmental and sustainability objectives we have set for ourselves. We have now completed phase 1 of our Net Zero by 2030 Target as per our plan, with all actions previously identified for close out in 2023 now complete – this includes:

- Ensuring all waste is carbon neutral and PAS 2060 compliant
- Changing our utility supplies to 100% renewable across all UK branches
- Installing Electric Vehicle (EV) Charge Points at all UK branches
- Updating our company car policy resulting in our fleet now being full EV or PHEV
- Measuring of CO2 emissions to support baselining and reduction targets

2024 will see the introduction of actions associated with phase 2 of our ten year plan which includes optimising energy usage in all of our branches, undertaking and implementing building improvements, creating our own energy where possible and the introduction of energy champions across the business. In addition to these initiatives, we will also look to gain ISO 50001 (Energy Management) certification.

ESG (Environment, Social & Governance) remains an important consideration for Dron & Dickson. We have created an Employee Participation Group (EPG) which meets regularly and agrees on charitable causes to support, local community initiatives and social events for staff, families and stakeholders. 2023 also saw us join the Association for Black & Ethnic Minority Engineers (AFBE). This will support us in bringing new people, perspectives and ideas into the organisation. The AFBE has also offered to assist us with our approach to Diversity & Inclusion so that we offer the best working environment for everyone to flourish and achieve their potential.

Dron & Dickson undertakes an annual Employee Engagement survey - we feel it is important that all members of our team have the opportunity to provide valuable feedback to the business. The board and senior management team use the survey feedback to create specific action plans which are assigned, monitored and worked through to completion.

Financial instruments

The group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with providing credit however this is managed through credit control procedures and monies are recovered prior to facilities being used. The only significant financial instrument is therefore considered to be the use of the invoice finance facility. As a result, the group is exposed to price risk on the cost of this borrowing.

Dron & Dickson Group Limited

Group Strategic Report (continued)
For the Year Ended 31 May 2023

Going concern

As detailed above, the directors have completed a thorough assessment of the impact of current macro-economic challenges, including scenario forecasting. Based on the above, the directors are confident that the current strong financial position of the company, combined with available bank facilities and contingency measures, mean the company will be able to mitigate business risks as they arise. Thus, the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

This report was approved by the board on 17th Jan. 2024 and signed on its behalf.



Colin Rowley
Director

Dron & Dickson Group Limited

Directors' Report For the Year Ended 31 May 2023

The directors present their report together with the audited financial statements for the year ended 31 May 2023.

Principal activity

The parent company's principal activity is that of a holding company. The principal activity of the group is the design, supply and maintenance of electrical equipment with a specific focus on safety critical hazardous area specialist equipment and related engineering services.

Results and dividends

The profit for the year, after taxation, amounted to £2,102,185 (2022 - £2,781,468).

Dividends amounting to £426,000 (2022 - £415,000) were paid during the year and no further dividends have been declared.

Directors

The directors who served during the year were:

Colin Rowley
Douglas Sedge
June Walker
John Strang
Bruce McHattie (appointed 20 June 2022)
Isla Robb (appointed 13 September 2022)
Leonard Collins (appointed 20 June 2022)
Thomas Irwin (appointed 20 June 2022)

Post balance sheet events

There are no post balance sheet events to disclose.

Disclosure of information to auditor


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 and the group's auditor is 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 and the group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17th Jan. 2024 and signed on its behalf.



Colin Rowley
Director

Dron & Dickson Group Limited

Directors' Responsibilities Statement For the Year Ended 31 May 2023

The directors are responsible for preparing the group strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company 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 the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Dron & Dickson Group Limited

Independent Auditor's Report to the Members of Dron & Dickson Group Limited

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of Dron & Dickson Group Limited ("the parent company") and its subsidiaries (the "group") for the year ended 31 May 2023 which comprise consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Dron & Dickson Group Limited

Independent Auditor's Report to the Members of Dron & Dickson Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Dron & Dickson Group Limited

Independent Auditor's Report to the Members of Dron & Dickson Group Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the company and the industry in which it operates;
- Discussion with management and those charged with governance
- Obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations; and
- We considered the significant laws and regulations to be the Financial Reporting Standard 102, UK tax legislation, and the Companies Act 2006.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation. Our procedures in respect of the above included:

- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and manipulation of timing of revenue recognition surrounding year-end.

Dron & Dickson Group Limited

Independent Auditor's Report to the Members of Dron & Dickson Group Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of revenue transactions surrounding the year end to determine accurate cut off;
- Testing a sample of accrued and deferred revenue; and
- Assessing significant estimates made by management for bias, this included the inventory and bad debt provisions.


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Mark McCluskey (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow
United Kingdom
18 January 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Dron & Dickson Group Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 May 2023

	Note	2023 £	2022 £
Turnover	4	51,281,804	40,508,448
Cost of sales		(40,740,339)	(32,603,189)
Gross profit		10,541,465	7,905,259
Distribution costs		(157,467)	(125,407)
Administrative expenses		(7,443,331)	(5,609,427)
Exceptional administrative expenses	13	(243,504)	(68,085)
Other operating income	5	-	1,106,115
Operating profit	6	2,697,163	3,208,455
Interest receivable and similar income	10	1,138	-
Profit before taxation		2,698,301	3,208,455
Tax on profit	11	(596,116)	(426,987)
Profit for the financial year		2,102,185	2,781,468
Currency translation differences		11,306	(2,719)
Total comprehensive income for the year		2,113,491	2,778,749
Profit for the year attributable to:			
Owners of the parent company		2,102,185	2,781,468
		2,102,185	2,781,468

Dron & Dickson Group Limited

Registered number: SC305554

**Consolidated Balance Sheet
As at 31 May 2023**

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	14		3,639,831		514,558
Tangible assets	15		937,070		456,520
			<u>4,576,901</u>		<u>971,078</u>
Current assets					
Stocks	17	3,869,207		2,309,854	
Debtors: amounts falling due within one year	18	10,582,993		8,849,127	
Cash at bank and in hand	19	1,708,519		4,122,121	
			<u>16,160,719</u>	<u>15,281,102</u>	
Creditors: amounts falling due within one year	20	(8,231,754)		(5,483,536)	
Net current assets			<u>7,928,965</u>		<u>9,797,566</u>
Total assets less current liabilities			<u>12,505,866</u>		<u>10,768,644</u>
Provisions for liabilities					
Deferred taxation	21		(157,167)		(107,436)
Net assets			<u>12,348,699</u>		<u>10,661,208</u>
Capital and reserves					
Called up share capital	22		6,012		6,015
Capital redemption reserve	23		992		989
Foreign exchange reserve	23		(65,049)		(76,355)
Statutory reserve	23		15,625		15,625
Profit and loss account	23		12,391,119		10,714,934
Equity attributable to owners of the parent company			<u>12,348,699</u>		<u>10,661,208</u>

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

17th Jan. 2024



Colin Rowley
Director

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Registered number: SC305554


**Company Balance Sheet
As at 31 May 2023**

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Investments	16		8,958,710		3,197,721
Current assets					
Debtors: amounts falling due within one year	18	407,513		82,911	
Cash at bank and in hand	19	20,247		16,567	
		<u>427,760</u>		<u>99,478</u>	
Creditors: amounts falling due within one year	20	(8,517,659)		(2,542,592)	
Net current liabilities			<u>(8,089,899)</u>		<u>(2,443,114)</u>
Net assets			<u>868,811</u>		<u>754,607</u>
Capital and reserves					
Called up share capital	22		6,012		6,015
Capital redemption reserve	23		992		989
Profit and loss account brought forward		747,603		247,867	
Profit for the year		540,204		914,736	
Other changes in the profit and loss account		<u>(426,000)</u>		<u>(415,000)</u>	
Profit and loss account carried forward			<u>861,807</u>		<u>747,603</u>
Total equity			<u>868,811</u>		<u>754,607</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of income and retained earnings in these financial statements. The profit after tax of the parent company for the period was £540,204 (2022 - profit £914,736).

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

17th Jan. 2024


Colin Rowley
Director

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2023

	Called up share capital	Capital redemption reserve	Foreign exchange reserve	Statutory reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 June 2022	6,015	989	(76,355)	15,625	10,714,934	10,661,208
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,102,185	2,102,185
Foreign exchange movement	-	-	11,306	-	-	11,306
Total comprehensive income for the year	-	-	11,306	-	2,102,185	2,113,491
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(426,000)	(426,000)
Shares brought back	(3)	3	-	-	-	-
Total transactions with owners	(3)	3	-	-	(426,000)	(426,000)
At 31 May 2023	6,012	992	(65,049)	15,625	12,391,119	12,348,699

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2022

	Called up share capital	Capital redemption reserve	Foreign exchange reserve	Statutory reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 June 2021	4,811	989	(73,636)	15,625	8,348,466	8,296,255
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,781,468	2,781,468
Foreign exchange movement	-	-	(2,719)	-	-	(2,719)
Total comprehensive income for the year	-	-	(2,719)	-	2,781,468	2,778,749
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(415,000)	(415,000)
Shares issued during the year	1,204	-	-	-	-	1,204
Total transactions with owners	1,204	-	-	-	(415,000)	(413,796)
At 31 May 2022	6,015	989	(76,355)	15,625	10,714,934	10,661,208

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Company Statement of Changes in Equity For the Year Ended 31 May 2023

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2022	6,015	989	747,603	754,607
Comprehensive income for the year				
Profit for the year	-	-	540,204	540,204
Total comprehensive income for the year	-	-	540,204	540,204
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(426,000)	(426,000)
Shares brought back	(3)	3	-	-
Total transactions with owners	(3)	3	(426,000)	(426,000)
At 31 May 2023	6,012	992	861,807	868,811

Company Statement of Changes in Equity For the Year Ended 31 May 2022

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2021	4,811	989	247,867	253,667
Comprehensive income for the year				
Profit for the year	-	-	914,736	914,736
Total comprehensive income for the year	-	-	914,736	914,736
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(415,000)	(415,000)
Shares issued during the year	1,204	-	-	1,204
Total transactions with owners	1,204	-	(415,000)	(413,796)
At 31 May 2022	6,015	989	747,603	754,607

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Consolidated Statement of Cash Flows For the Year Ended 31 May 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	2,102,185	2,781,468
Adjustments for:		
Amortisation of intangible assets	272,024	108,518
Depreciation of tangible assets	221,174	154,853
Taxation (credit)/charge	596,116	426,987
Decrease/(increase) in stocks	76,002	(1,044,366)
(Increase) in debtors	(165,907)	(2,598,272)
(Decrease)/increase in creditors	(287,590)	1,485,711
Profit on disposal of trade and assets of subsidiary	-	(1,106,115)
Corporation tax paid	(728,059)	(405,807)
Forex	11,306	-
Net cash generated from operating activities	2,097,251	(197,023)
Cash flows from investing activities		
Purchase of tangible fixed assets	(670,409)	(281,554)
Capital forex movements	-	(2,718)
Proceeds on disposal of trade and assets of subsidiary	-	1,080,610
Net cash from investing activities	(670,409)	796,338
Cash flows from financing activities		
Issue of shares	-	1,204
Dividends paid	(426,000)	(415,000)
Interest received	1,138	-
Acquisition of subsidiary	(4,039,351)	-
Movement in invoice finance	623,769	-
Net cash used in financing activities	(3,840,444)	(413,796)

Dron & Dickson Group Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 May 2023

	2023 £	2022 £
Net (decrease)/increase in cash and cash equivalents	(2,413,602)	185,519
Cash and cash equivalents at beginning of year	4,122,121	3,936,602
Cash and cash equivalents at the end of year	1,708,519	4,122,121
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,708,519	4,122,121
	1,708,519	4,122,121

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Consolidated Analysis of Net Debt For the Year Ended 31 May 2023

	At 1 June 2022 £	Cash flows £	Acquisition and disposal of subsidiaries £	At 31 May 2023 £
Cash at bank and in hand	4,122,121	1,625,749	(4,039,351)	1,708,519
Debt due within 1 year	-	(623,769)	-	(623,769)
	<u>4,122,121</u>	<u>1,001,980</u>	<u>(4,039,351)</u>	<u>1,084,750</u>

The notes on pages 20 to 40 form part of these financial statements.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

1. General information

Dron & Dickson Group Limited is a private company limited by shares and incorporated in Scotland under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

2. Accounting policies

2.1 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliation's for the group and the company would be identical.
- No cash flow statement has been presented for the parent company.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.4 Going concern

The group made a profit for the year of £2,102,185 (2022 - £2,781,468) and has net current assets of £7,928,965 (2022 - £9,797,566) and net assets of £12,348,699 (2022 - £10,661,208). The company made a profit for the year of £540,204 (2022 - profit £914,736), has net current liabilities of £8,089,899 (2022 - £2,443,114) and net assets of £868,811 (2022 - £754,607).

As detailed in the strategic report, the directors have completed a thorough assessment of the impact of current macro-economic challenges, including scenario forecasting. Based on the above, the directors are confident that the current strong financial position of the group and the company, combined with available bank facilities and contingency measures, mean the company will be able to mitigate business risks as they arise.

Thus, the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

2.5 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

2.8 Interest income

Interest income is recognised in consolidated statement of comprehensive income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income 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.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life of 10 to 20 years.

2.13 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.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to consolidated statement of comprehensive income during the period in which they are incurred.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Freehold property	- 5% straight line
Leasehold property	- 11% straight line
Plant and machinery	- 25% straight line
Equipment, fixtures and fittings	- 25% straight line
IT equipment and systems	- 33% 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 the consolidated statement of comprehensive income.

2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 the consolidated statement of comprehensive income.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.18 Cash and cash equivalents

Cash is represented by cash in hand, invoice finance and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts and invoice finance that are repayable on demand and form an integral part of the group's cash management.

2.19 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 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.

2.21 Financial instruments

The group 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

2. Accounting policies (continued)

2.21 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income for the year, 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 balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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 the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

In preparing the financial statements, the directors have made the following judgements:

Bad debt provision - the directors regularly assess each individual trade receivable balance to consider whether they are recoverable. Where uncertainty exists as to the recoverability of a debt, based upon information received and payment history, a provision is created.

Depreciation - the tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors such as technological innovation, product life cycles and maintenance programmes.

Amortisation of goodwill - goodwill is amortised on a straight line basis, taking into account the expected useful life of the asset. This is assessed on an annual basis but represents an estimate due to the inherent nature of this class of asset.

The directors consider there to be no other key sources of estimation uncertainty.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

4. Turnover

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	48,647,322	39,181,878
Rest of Europe	1,257,226	-
Rest of the world	1,377,256	1,326,570
	<u>51,281,804</u>	<u>40,508,448</u>

5. Other operating income

	2023 £	2022 £
Profit on disposal of trade and assets of Dron & Dickson Electromechanical Contracting LLC	-	1,106,115
	<u>-</u>	<u>1,106,115</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2023 £	2022 £
Depreciation of tangible fixed assets	221,174	154,853
Amortisation of intangible assets, including goodwill	272,024	108,518
Exchange differences	11,306	(2,719)
Defined contribution pension cost	441,679	295,631
Operating lease payments - plant and machinery	150,894	109,556
Operating lease payments - other operating leases	380,966	202,638
	<u>1,478,043</u>	<u>1,073,485</u>

Fees of £72,900 (2022 - £44,303) have been incurred and paid to third parties in respect of certain non executive directors' services.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

7. Auditor's remuneration

	2023 £	2022 £
Fees payable to the group's auditor for the audit of the group's annual accounts	37,500	26,800
Fees payable to the group's auditor in respect of taxation services	5,000	4,875
	<u>42,500</u>	<u>31,675</u>

8. Employees

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

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Wages and salaries	5,358,242	5,428,731	76,534	85,020
Social security costs	558,258	620,580	-	10,540
Cost of defined contribution scheme	441,679	295,631	10,000	10,000
	<u>6,358,179</u>	<u>6,344,942</u>	<u>86,534</u>	<u>105,560</u>

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

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
Sales & administration	86	72	10	-
Management	23	20	-	1
Offshore	8	22	-	-
	<u>117</u>	<u>114</u>	<u>10</u>	<u>1</u>

The company has no employees other than the directors.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

9. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	709,352	673,157
Group contributions to defined contribution pension schemes	193,000	90,000
	<u>902,352</u>	<u>763,157</u>

During the year retirement benefits were accruing to 5 directors (2022 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £137,150 (2022 - £153,800) during the year, with defined pension contributions of £74,500 (2022 - £17,500) during the year.

Key management personnel remuneration is per above.

10. Interest receivable

	2023 £	2022 £
Other interest receivable	<u>1,138</u>	<u>-</u>

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	554,528	453,522
Adjustments in respect of previous periods	17	(50,013)
	<u>554,545</u>	<u>403,509</u>
Double taxation relief	-	(4,482)
Total current tax	<u>554,545</u>	<u>399,027</u>
Deferred tax		
Origination and reversal of timing differences	41,571	27,960
Total deferred tax	<u>41,571</u>	<u>27,960</u>
Taxation on profit on ordinary activities	<u>596,116</u>	<u>426,987</u>

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is different from (2022 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	2,698,301	3,208,455
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2022 - 19%)	539,600	609,606
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	20,620
Fixed asset differences	3,576	-
Expenses not deductible for tax purposes	534,722	3,955
Depreciation for year in excess of capital allowances	-	(6,363)
Exempt distributions	(421,448)	-
Adjustments to tax charge in respect of prior periods	(17)	(43,350)
Remeasurement of deferred tax for changes in tax rate	13,184	-
Adjust opening deferred tax to average rate of 19%	-	6,711
Foreign tax expensed	-	(4,481)
Other permanent differences	(73,501)	-
Gains from operations in non-taxable jurisdictions	-	(172,664)
Other differences leading to an increase (decrease) in the tax charge	-	12,953
Total tax (credit)/charge for the year	596,116	426,987

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the statement of financial position date has been calculated using the applicable rate when the liability is expected to be realised.

12. Dividends

	2023 £	2022 £
Dividends - £0.89 per share (2022 - £0.86 per share)	426,000	415,000

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

13. Exceptional items

	2023 £	2022 £
Exceptional items - professional fees	57,818	68,085
Relocation costs	185,686	-
	<u>243,504</u>	<u>68,085</u>

14. Intangible assets

Group

	Goodwill £
Cost	
At 1 June 2022	2,065,446
Additions	3,397,297
At 31 May 2023	<u>5,462,743</u>
Amortisation	
At 1 June 2022	1,550,888
Charge for the year	272,024
At 31 May 2023	<u>1,822,912</u>
Net book value	
At 31 May 2023	<u>3,639,831</u>
At 31 May 2022	<u>514,558</u>

Company

The company had no intangible assets in the current year (2022 - £Nil).

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

15. Tangible fixed assets

Group

	Freehold property £	Leasehold property £	Plant and machinery £	Motor vehicles £	Equipment, fixtures and fittings £	IT equipment and systems £	Total £
Cost							
At 1 June 2022	263,321	196,395	-	-	409,869	694,032	1,563,617
Additions	-	365,717	-	-	114,838	189,854	670,409
Acquired in the period	-	-	20,890	8,175	-	2,250	31,315
At 31 May 2023	263,321	562,112	20,890	8,175	524,707	886,136	2,265,341
Depreciation							
At 1 June 2022	148,027	144,769	-	-	371,666	442,635	1,107,097
Charge for the year	17,740	19,860	2,230	-	19,545	161,799	221,174
At 31 May 2023	165,767	164,629	2,230	-	391,211	604,434	1,328,271
Net book value							
At 31 May 2023	97,554	397,483	18,660	8,175	133,496	281,702	937,070
At 31 May 2022	115,294	51,626	-	-	38,203	251,397	456,520

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

15. Tangible fixed assets (continued)

The valuation of freehold property is based on a professional valuation undertaken in 2011. In the directors view the property valuation has not materially changed from this valuation due to the location and condition of the property.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	Group 2023 £	Group 2022 £
Cost	300,424	300,424
Accumulated depreciation	(255,878)	(222,949)
Net book value	44,546	77,475
Company		

The company had no tangible fixed assets in the current year (2022 - £Nil).

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 June 2022	3,197,721
Additions	8,139,834
Return of capital	(2,378,845)
At 31 May 2023	8,958,710
Net book value	
At 31 May 2023	8,958,710
At 31 May 2022	3,197,721

During the year, the company acquired Cable Solutions (Worldwide) Limited for a total investment of £6,060,989 including the acquisition consideration, surplus net working capital, cash left in the business and deal costs. The investment figure above reflects initial returns on investment via dividends of £2,078,845 and subsequently £300,000. The directors consider these amounts to be from preacquisition reserves and are therefore shown as return of capital above. See further details in the acquisition note below.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Dron & Dickson Limited	Design, supply and maintenance of electrical equipment	Ordinary	100%
Dron & Dickson Electromechanical Contracting LLC	Design, supply and maintenance of electrical equipment	Ordinary	49%
Cable Solutions (Worldwide) Limited	Producing cabling solutions to all gas and other industries	Ordinary	100%

The registered office of Dron & Dickson Limited is Cumberland Place, Whapload Road, Lowestoft, NR32 1UQ. The registered office of Dron & Dickson Electromechanical Contracting LLC is P.O. Box 92162, Abu Dhabi, United Arab Emirates. The registered office of Cable Solutions (Worldwide) Limited is 18 Whitehouse Road, Springkerse Industrial Estate, FK7 7SS

Under UAE law, it is a requirement that a UAE citizen is the majority shareholder of any company incorporated in the UAE. Khalid Mohamed Helal Feraih Alqubaisi owns 51% of the share capital of Dron & Dickson Electromechanical Contracting LLC, however per the shareholders agreement, his dividend and voting rights are restricted. For this reason the company exercises significant control over the entity.

Dron & Dickson Group Limited has granted an exemption from audit for Cable Solutions (Worldwide) Limited under s.479A of the Companies Act 2006.

17. Stocks

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Finished goods and goods for resale	<u>3,869,207</u>	<u>2,309,854</u>	<u>-</u>	<u>-</u>

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

18. Debtors: amounts falling due within one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade debtors	8,740,527	7,553,496	-	900
Amounts owed by group undertakings	-	-	67,546	66,408
Other debtors	1,704,596	1,163,071	339,967	15,603
Prepayments and accrued income	137,870	132,560	-	-
	<u>10,582,993</u>	<u>8,849,127</u>	<u>407,513</u>	<u>82,911</u>

Other debtors includes 4 balances of approximately £63,500 due from separate directors plus the related tax debtor of £85,786.

19. Cash and cash equivalents

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Cash at bank and in hand	1,708,519	4,122,121	20,247	16,567

20. Creditors: amounts falling due within one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade creditors	3,155,288	2,716,384	-	-
Amounts owed to group undertakings	-	-	7,129,455	2,526,900
Corporation tax	402,551	204,401	86,012	-
Other taxation and social security	313,170	103,424	-	-
Invoice finance	623,769	-	-	-
Pension fund loan payable	-	27,569	-	-
Other creditors	1,253,098	297,452	1,250,000	-
Accruals and deferred income	2,483,878	2,134,306	52,192	15,692
	<u>8,231,754</u>	<u>5,483,536</u>	<u>8,517,659</u>	<u>2,542,592</u>

The invoice finance is secured on the related trade debtors.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

21. Deferred taxation

Group

	2023 £
At beginning of year	107,436
Credited to profit or loss	49,731
At end of year	157,167

The provision for deferred taxation is made up as follows:

	Group 2023 £	Group 2022 £
Accelerated capital allowances	152,145	73,441
Other timing differences	5,022	33,995
	157,167	107,436

22. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
480,000 ordinary shares of £0.01 each	4,800	4,800
8 C shares of £1.00 each	8	8
Nil (2022 - 76) E shares of £0.01 each	-	1
Nil (2022 - 76) F shares of £0.01 each	-	1
Nil (2022 - 76) G shares of £0.01 each	-	1
120,400 Z shares of £0.01 each	1,204	1,204
	6,012	6,015

Ordinary shares have equal voting and dividend rights. C shares have no voting rights. E, F & G shares were bought back by the company during the year and cancelled.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

23. Reserves

The group's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Foreign exchange reserve

The foreign exchange reserve represent gains and losses arising on the translation of the foreign subsidiaries.

Statutory reserve

In accordance with article 239 of the UAE Federal Law No. (2) of 2015, 10 per cent of the net profit of Dron & Dickson Electromechanical Contracting LLC for the year is to be allocated to statutory reserve subject to a minimum of 50 per cent of the share capital of the component. This reserve is not available for distribution among the shareholders.

During a previous year, the statutory reserve had reached 50% of the share capital.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

24. Business combinations

On the 13 December 2022, the company completed the acquisition of Cable Solutions (Worldwide) Limited.

Acquisition of Cable Solutions (Worldwide) Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Tangible	32,638	-	32,638
	<u>32,638</u>	<u>-</u>	<u>32,638</u>
Current Assets			
Stocks	1,877,392	(242,037)	1,635,355
Debtors	2,311,018	(828,845)	1,482,173
Cash at bank and in hand	2,021,638	(1,250,000)	771,638
Total Assets	<u>6,242,686</u>	<u>(2,320,882)</u>	<u>3,921,804</u>
Creditors			
Due within one year	(1,249,952)	-	(1,249,952)
Deferred taxation	(8,160)	-	(8,160)
Total Identifiable net assets	<u>4,984,574</u>	<u>(2,320,882)</u>	<u>2,663,692</u>
Goodwill			3,397,297
Total purchase consideration including deal costs			<u>6,060,989</u>
Consideration			
			£
Cash			4,631,251
Deferred consideration			1,250,000
Directly attributable costs			179,738
Total purchase consideration			<u>6,060,989</u>

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

24. Business combinations (continued)

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	4,631,251
Directly attributable costs	179,738
	<u>4,810,989</u>
Less: Cash and cash equivalents acquired	(771,638)
Net cash outflow on acquisition	<u><u>4,039,351</u></u>

The goodwill arising on acquisition is attributable to the trade acquired.

The results of Cable Solutions (Worldwide) Limited since acquisition are as follows:

	Current period since acquisition £
Turnover	<u>4,607,500</u>
Profit for the period since acquisition	<u><u>673,224</u></u>

25. Contingent liabilities

The bank holds a corporate cross-guarantee between the Dron & Dickson Limited and Dron & Dickson Group Limited for all sums due. Dron & Dickson Group Limited had no bank borrowings at the year end (2022 - £Nil). There are also three outstanding securities to Clydesdale Bank plc, being a debenture, a standard security and a legal charge.

26. Pension commitments

The group operates defined contribution pension schemes. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £441,679 (2022 - £295,631). Contributions totalling £30,537 (2022 - £27,569) were payable to the fund at the balance sheet date.

Dron & Dickson Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2023

27. Commitments under operating leases

At 31 May 2023 the group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £	Group 2022 £
Not later than 1 year	443,310	312,194
Later than 1 year and not later than 5 years	1,728,136	597,132
Later than 5 years	2,006,524	80,712
	<u>4,177,970</u>	<u>990,038</u>

The company has no other commitments.

28. Related party transactions

The company has taken advantage of the exemption within FRS 102 not to disclose transactions entered into between wholly owned members of the group.

There were no further transactions with related parties that are not members of the group.

29. Post balance sheet events

There are no post balance sheet events to disclose.

30. Controlling party

The ultimate controlling party is Colin Rowley.