

Dron & Dickson Limited

Annual Report and Financial Statements

Year Ended

31 May 2023

Company Number 00221355

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Dron & Dickson Limited

Company Information

Directors	Colin Rowley Thomas Irwin Bruce McHattie Leonard Collins John Strang
Company secretary	Colin Rowley
Registered number	00221355
Registered office	Dron & Dickson House Cumberland Place Whapload Road Lowestoft Suffolk NR32 1UQ
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 Limited

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Dron & Dickson Limited

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 company performed strongly overall in the year, delivering £46.9 million of revenues, a 16% increase 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 of £2.2 million was lower than the previous year's £2.5 million, due primarily to exceptional relocation costs, investment in new business development including Renewables, and non-trading foreign currency movements. Excluding these specific incremental costs, the company's underlying trading profit before tax increased by £0.3m reflecting organic revenue growth and stable operating margins.

We continued to invest in additional operational capacity, business systems and our team to support continued growth in the future, reporting £0.7 million of capital expenditure and an 11% increase in indirect headcount.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Maintaining an excellent safety performance throughout the company
- 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 group 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.

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.

Dron & Dickson Limited

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

Principal risks and uncertainties (continued)

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 company'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 company 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 company's costs are variable according to sales levels. While there is always a potential risk of bad debts, the company 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 company's credit control processes.

Financial key performance indicators

- Turnover increased by 16% to £46.9 million.
- Profit after tax decreased by £0.3 million to £1.7 million .
- Net assets increased by £1.7 million to £13.5 million.

Dron & Dickson Limited

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

Future developments

The company mainly operates in the energy sector where geo-political change and business uncertainty remain key factors. However, the company 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 company 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 company is exposed to price risk on the cost of this borrowing.

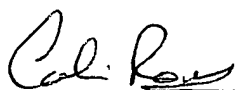
Dron & Dickson Limited

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 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 company's principal activity 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 £1,749,363 (2022 - £2,040,611).

No dividends were paid in the year (2022 - £103,750).

Directors

The directors who served during the year were:

Colin Rowley
Thomas Irwin
Bruce McHattie
Leonard Collins
John Strang

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'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'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 Limited

Directors' Responsibilities Statement For the Year Ended 31 May 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 period.

In preparing these audited 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; 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 Limited

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

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of Dron & Dickson Limited ("the company") for the year ended 31 May 2023 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity 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 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 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 Limited

Independent Auditor's Report to the Members of Dron & Dickson 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 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, 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.

Dron & Dickson Limited

Independent Auditor's Report to the Members of Dron & Dickson 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; and
- 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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Dron & Dickson Limited

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

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

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.

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;
- Assessing significant estimates made by management for bias, this included the inventory and bad debt provisions;
- Testing a sample of revenue transactions surrounding the year end to determine accurate cut off; and
- Testing a sample of deferred revenue balances at year end to ensure that it was recognised in the correct period.

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

DocuSigned by:



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Mark McCluskey (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Glasgow

United Kingdom

Date: 19 January 2024

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

Dron & Dickson Limited

Statement of Comprehensive Income For the Year Ended 31 May 2023

	Note	2023 £	2022 £
Turnover	4	46,911,129	40,498,210
Cost of sales		(37,680,720)	(32,555,159)
Gross profit		9,230,409	7,943,051
Distribution costs		(157,467)	(125,407)
Administrative expenses		(6,667,835)	(5,352,110)
Exceptional administrative expenses	11	(185,686)	-
Operating profit	5	2,219,421	2,465,534
Tax on profit	9	(470,058)	(424,923)
Profit for the financial year		1,749,363	2,040,611

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The notes on pages 14 to 28 form part of these financial statements.

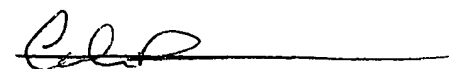
Dron & Dickson Limited

Registered number: 00221355

**Balance Sheet
As at 31 May 2023**

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Tangible assets	12		908,564		456,520
Current assets					
Stocks	13	2,165,384		2,309,854	
Debtors: amounts falling due within one year	14	16,119,156		10,926,014	
Cash at bank and in hand		1,130,108		3,776,727	
		<u>19,414,648</u>		<u>17,012,595</u>	
Creditors: amounts falling due within one year	15	(6,637,503)		(5,576,339)	
Net current assets			<u>12,777,145</u>		<u>11,436,256</u>
Total assets less current liabilities			<u>13,685,709</u>		<u>11,892,776</u>
Provisions for liabilities					
Deferred tax	16		(151,006)		(107,436)
Net assets			<u>13,534,703</u>		<u>11,785,340</u>
Capital and reserves					
Called up share capital	17		100,000		100,000
Revaluation reserve	18		16,437		16,437
Capital redemption reserve	18		1,000		1,000
Profit and loss account	18		13,417,266		11,667,903
Total equity			<u>13,534,703</u>		<u>11,785,340</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 14 to 28 form part of these financial statements.

Dron & Dickson Limited

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

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2022	100,000	1,000	16,437	11,667,903	11,785,340
Comprehensive income for the year					
Profit for the year	-	-	-	1,749,363	1,749,363
Total comprehensive income for the year	-	-	-	1,749,363	1,749,363
At 31 May 2023	100,000	1,000	16,437	13,417,266	13,534,703

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

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2021	100,000	1,000	16,437	9,731,042	9,848,479
Comprehensive income for the year					
Profit for the year	-	-	-	2,040,611	2,040,611
Total comprehensive income for the year	-	-	-	2,040,611	2,040,611
Dividends: Equity capital	-	-	-	(103,750)	(103,750)
At 31 May 2022	100,000	1,000	16,437	11,667,903	11,785,340

The notes on pages 14 to 28 form part of these financial statements.

Dron & Dickson Limited

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

1. General information

Dron & Dickson Limited is a private company limited by shares and incorporated in England and Wales 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 is 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 and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 management to exercise judgement in applying the company's accounting policies (see note 3).

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 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dron and Dickson Group Limited as at 31 May 2023 and these financial statements may be obtained from the Registrar of Companies.

2.3 Going concern

The company made a profit for the year of £1,749,363 (2022 - £2,040,611). The company has net current assets of £12,777,145 (2022 - £11,436,256) and net assets of £13,534,703 (2022 - £11,785,340).

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.3 Going concern (continued)

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 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.

2.4 Foreign currency translation

Transactions and balances

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

At each period end foreign currency monetary items 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 profit or loss 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 statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 company has transferred the significant risks and rewards of ownership to the buyer;
- the company 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 company 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.

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.5 Revenue (continued)

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 company 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.

2.6 Operating leases: the company as lessee

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

2.7 Finance costs

Finance costs are charged to the 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.

2.8 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 company in independently administered funds.

2.10 Exceptional items

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

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.11 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 company 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 company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

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
Equipment, fixtures & fittings	- 25% straight line
IT equipment & 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 statement of comprehensive income.

2.12 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified values.

Revaluation gains and losses are recognised in the statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the statement of comprehensive income.

2.13 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 statement of comprehensive income.

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.14 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.

2.15 Cash and cash equivalents

Cash is represented by cash in hand 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.

2.16 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.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.18 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

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

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

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.18 Financial instruments (continued)

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Impairment of financial assets

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

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the statement of comprehensive income.

2.19 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 shareholders at an annual general meeting.

2.20 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 balance sheet 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 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.

Dron & Dickson Limited

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

2. Accounting policies (continued)

2.20 Current and deferred taxation (continued)

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 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.

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

4. Turnover

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	45,228,525	39,171,640
Rest of Europe	305,348	628,873
Rest of the world	1,377,256	697,697
	<u>46,911,129</u>	<u>40,498,210</u>

Dron & Dickson Limited

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

5. Operating profit

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

	2023 £	2022 £
Depreciation of tangible fixed assets	218,365	154,539
Exchange differences	116,233	(77,910)
Defined contribution pension cost	410,761	285,631
Operating lease payments		
- plant and machinery	141,402	109,556
- other operating leases	191,823	202,638
	<u>1,078,584</u>	<u>774,854</u>

6. Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	24,500	23,850
Other services relating to taxation	5,000	4,875
	<u>29,500</u>	<u>28,725</u>

7. Employees

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

	2023 £	2022 £
Wages and salaries	5,021,925	5,046,521
Social security costs	535,760	610,040
Cost of defined contribution scheme	410,761	285,631
	<u>5,968,446</u>	<u>5,942,192</u>

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

	2023 No.	2022 No.
Sales & administration	76	71
Management	23	18
Offshore	8	22
	<u>107</u>	<u>111</u>

Dron & Dickson Limited

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

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	641,336	547,337
Company contributions to defined contribution pension schemes	183,000	80,000
	<u>824,336</u>	<u>627,337</u>

During the year retirement benefits were accruing to 4 directors (2022 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £137,150 (2022 - £153,800) and pension contributions of £75,000 (2022 - £17,500) during the year.

9. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	426,488	451,458
Adjustments in respect of previous periods	-	(50,013)
Double taxation relief	-	(4,482)
Total current tax	<u>426,488</u>	<u>396,963</u>
Deferred tax		
Origination and reversal of timing differences	35,968	27,960
Other timing differences	7,602	-
Total deferred tax	<u>43,570</u>	<u>27,960</u>
Taxation on profit on ordinary activities	<u>470,058</u>	<u>424,923</u>

Dron & Dickson Limited

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

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 20% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>2,219,421</u>	<u>2,465,534</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2022 - 19%)	443,945	468,451
Effects of:		
Capital allowances for year in excess of depreciation	3,704	(6,363)
Expenses not deductible for tax purposes	14,788	3,955
Chargeable gains/(losses)	(178)	-
Group relief surrendered/(claimed)	(396)	-
Foreign tax expensed	-	(4,481)
Adjustments to tax charge in respect of prior periods	(6,597)	(43,350)
Adjustments to tax charge in respect of prior periods - deferred tax	7,602	-
Remeasurement of deferred tax for changes in tax rate	7,190	6,711
Total tax charge for the year	<u>470,058</u>	<u>424,923</u>

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.

10. Dividends

	2023 £	2022 £
Dividends - £Nil per share (2022 - £1.03 per share)	<u>-</u>	<u>103,750</u>

11. Exceptional items

	2023 £	2022 £
Relocation costs	<u>185,686</u>	<u>-</u>

Dron & Dickson Limited

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

12. Tangible fixed assets

	Freehold property £	Leasehold property £	Equipment, fixtures & 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
At 31 May 2023	263,321	562,112	524,707	883,886	2,234,026
Depreciation					
At 1 June 2022	148,029	144,770	371,666	442,632	1,107,097
Charge for the year	17,740	19,860	19,545	161,220	218,365
At 31 May 2023	165,769	164,630	391,211	603,852	1,325,462
Net book value					
At 31 May 2023	97,552	397,482	133,496	280,034	908,564
At 31 May 2022	115,292	51,625	38,203	251,400	456,520

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:

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

Dron & Dickson Limited

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

13. Stocks

	2023 £	2022 £
Finished goods and goods for resale	<u>2,165,384</u>	<u>2,309,854</u>

14. Debtors: amounts falling due within one year

	2023 £	2022 £
Trade debtors	7,637,750	7,553,496
Amounts owed by group undertakings	6,995,057	2,694,407
Other debtors	1,348,479	545,551
Prepayments and accrued income	137,870	132,560
	<u>16,119,156</u>	<u>10,926,014</u>

The amounts owed by group undertakings are repayable on demand but we do not anticipate needing to make any repayment within the next 12 months.

15. Creditors: amounts falling due within one year

	2023 £	2022 £
Bank invoice finance facility	623,769	-
Trade creditors	2,565,017	2,701,503
Amounts owed to group undertakings	692,428	406,197
Corporation tax	166,492	220,004
Other taxation and social security	198,236	144,951
Pension creditor	30,537	27,569
Other creditors	753	3,333
Accruals and deferred income	2,360,271	2,072,782
	<u>6,637,503</u>	<u>5,576,339</u>

The bank invoice discount facility is secured over certain balances within trade debtors.

Dron & Dickson Limited

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

16. Deferred taxation

	2023 £
At beginning of year	107,436
Charged to profit or loss	43,570
At end of year	151,006

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	145,964	109,996
Capital gains	4,332	4,332
Other timing differences	710	(6,892)
	151,006	107,436

17. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
100,000 (2022 - 100,000) ordinary shares of £1.00 each	100,000	100,000

Each share gives the shareholder equal voting rights.

Dron & Dickson Limited

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

18. Reserves

The company's capital and reserves are as follows

Called up share capital

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

Revaluation reserve

The revaluation reserve contains the surplus on valuation of tangible fixed assets.

Capital redemption reserve

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

Profit and loss account

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

19. Contingent liabilities

The bank holds a corporate cross-guarantee between the company 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 outstanding securities to Clydesdale Bank plc, being a debenture, a standard security, security over trade debtors for invoice discounting and a legal charge.

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £319,761 (2022 - £285,631). Contributions amounting to £30,537 (2022 - £27,569) were payable to the fund and are included in creditors.

21. Commitments under operating leases

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

	2023 £	2022 £
Not later than 1 year	353,310	312,194
Later than 1 year and not later than 5 years	1,388,136	597,132
Later than 5 years	2,006,524	80,712
	<u>3,747,970</u>	<u>990,038</u>

Dron & Dickson Limited

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

22. 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.

Dron & Dickson Electromechanical Contracting LLC, which is not a wholly owned subsidiary, was owed £Nil by the company (2022 - £88,890) at the year end. Sales in the year were £Nil (2022 - £11,674) and purchases in the year were £14,007 (2022 - £Nil).

23. Controlling party

The ultimate parent undertaking is Dron & Dickson Group Limited, a company registered in the UK. The financial statements of Dron & Dickson Group Limited are consolidated financial statements which include the results of the company. Copies of the consolidated financial statements are available from the Registrar of Companies. The ultimate controlling party is Colin Rowley.