Building Value in Technology

Drumz plc

Report and Accounts

For the year ended

31 December 2022

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Strategic Report

Chairman's Statement

I am pleased to present the results of Drumz plc ("Drumz" or "Company" or "Group") for the year ended 31 December 2022.

Results and performance

The Group's results for the year ended 31 December 2022 showed revenues of £60,000 (2021: £44,000) and an operating loss of £256,000 (2021: loss £239,000).

The principal asset of the Group was its investment in Acuity Risk Management Limited ("Acuity"), a supplier of Governance, Risk, Compliance ("GRC") software and services. At the year end, the Company owned a 25 per cent equity stake in Acuity which was valued at cost of £625,000. Acuity's award winning proprietary software platform STREAM® collects data about organisations to improve business decisions and management. It is used by around 70 organisations in markets including government, utilities, defence, broadcasting, manufacturing and healthcare. Most customers use it for managing cybersecurity and IT risks and for compliance with ISO 27001 and other standards and regulations. STREAM® is sold on a SaaS or private cloud delivery (on-premise) basis, typically with a three year licence, invoiced annually in advance. Sales are made directly through the Company's own sales team and via a growing network of partners in the UK and the US. During the year, Acuity has continued to make further progress with its commercialisation, including adding to the number of distributors of the product in the US. Further details on the progress being achieved at Acuity are included in the Chief Executive's report.

In addition, the Group continues to own its legacy holding in KCR Residential REIT plc ('KCR'), which owns property in the private rented residential sector, in particular blocks of studio, one and two bedroom apartments which are rented to private tenants in the UK. The share price performance of KCR once again has been extremely disappointing and as a result, the value of the KCR holding has declined further from £390,000 to £305,000, equating to a loss of £85,000 (2021: loss of £183,000). I am also disappointed to report that the KCR share price has fallen further since the year end.

Your Board is looking to dispose of this investment, which is no longer core to the Group's current investment policy, as soon as a buyer can be found. However, in common with many smaller companies, there is limited liquidity in the shares of KCR and therefore the Board is not able to give a view on when a disposal of this investment might be effected.

Therefore, the overall results of the Group for the year ended 31 December 2022, show a loss before taxation of £341,000 (2021: loss of £422,000), of which £85,000 (2021: loss of £183,000) was due to the fall in value of the Group's investment in KCR. No dividend is being declared for the year (2021: £nil).

As a result of the losses incurred during the year shareholders' funds have fallen to £1,227,000 (2021: £1,547,000)

Post balance sheet event

I am pleased to be able to report that in April 2023 Drumz completed the acquisition of all the outstanding shares in Acuity that it did not previously own. As a result, the Group is now classified as a trading company and its share price would usually therefore be determined by the quality and size of its business and its prospects, rather than as an investment company, which tend to be valued on a discount to their net assets.

The Board considers that Acuity is a high growth business with excellent prospects. Further details of the post balance sheet event are set out in the Chief Executive's report and in note 15 to these financial statements.

Board changes

There have been a number of Board changes during the period under review. Nick Clark joined the Board on 7 June 2022. Nick was the founder and Chief Executive of Torpedo Factory Group, a technology systems integrator, which was recently acquired by Aukett Swanke Group plc, where Nick is now the Group's Chief Executive.

Post the year end, Nish Malde resigned from the Board on 9 March 2023 in order to focus on his other business commitments. The Board would like to thank Nish for his contribution to the Group and to wish him well in the future.

Following the Company's acquisition of Acuity, as referred to above, Simon Marvell, one of the founders of that company, joined the Board with effect from 24 April 2023.

Outlook

Acuity is a business with considerable potential and I look forward to reporting on the progress we are making in the coming months. Furthermore, I would like to thank all shareholders for their continuing support and to thank my colleagues and our advisors for their respective contributions throughout the period covered by these financial statements.

Simon Bennett

Chairman

24 May 2023

Chief Executive's Report

Introduction

Over the past two years the Company has worked with Acuity Risk Management Limited ("Acuity"), it has developed its business and is now intent on developing its potential. The focus for the year ending 31 December 2022 was to work with Acuity to improve its business and make the changes necessary for faster expansion to grow scale and value. Post the year end, we were delighted to announce that we acquired all the remaining shares not already owned by us. The acquisition completed on 24 April 2023 when all the necessary resolutions to complete the acquisition of Acuity and other related matters were duly passed by shareholders in a general meeting. As a result, Acuity is now wholly owned by the Group is a trading company for the purposes of the AIM Rules rather than an investment company.

Following the acquisition of Acuity, the Group's future strategy will be to develop its business to deliver long term, sustainable growth in shareholder value. In the short to medium term this is expected to come from organic growth and thereafter may also come from complementary acquisitions.

The Group will be focused on key business objectives including:

- accelerate revenue growth both organically in existing and other global markets;
- further penetrate existing markets by forging stronger customer and partner relationships;
- improve productivity;
- continue to invest in developing STREAM® to enhance its offering; and
- become a profitable and cash generative group.

Acuity

With its headquarters located in London, Acuity is an established provider of GRC risk management software and services via its award-winning software platform STREAM®.

STREAM® collects data about organisations and provides functionality to improve business decisions and management. It is in use with around 70 organisations in sectors including government, utilities, defence, broadcasting, manufacturing and healthcare. Most customers use STREAM® for GRC, managing cybersecurity and IT risks and for compliance with ISO 27001 and other standards and regulations, although it can be configured to manage other risks such as vendor management to provide a comprehensive view of risk and compliance across an organisation.

STREAM® is sold via subscription on a SaaS or private cloud delivery (on-premise) basis (using a customer's infrastructure) typically on a three year licence, invoiced annually in advance. Sales are made directly through Acuity's own sales team and via a growing network of partners in the UK and the US

The principal use of STREAM® by Acuity's customers is in managing cybersecurity and other IT risks and the product is well rated by leading analysts, including Gartner.

The GRC market is growing; it was valued at $14.9bn in 2022 and is forecast to grow to $27.1bn by 2027. The market is being driven by a combination of legislation (e.g. GDPR) and the requirement of organisations to more effectively manage the risks that are affecting them and so improve decision-making.

The Group acquired its initial stake in September 2020 and at the same time I was appointed Chairman of Acuity. Since our original investment significant progress has been made in the commercialisation of Acuity, with the aim of accelerating its growth and achieving greater scale. The business model has been revised, to a SaaS model, with customers typically signing three year contracts, which are invoiced annually in advance. As a result, Acuity is strongly cash generative and the visibility of future income flows has been significantly improved. At present, Acuity's customers are mostly in the UK and Europe and the Company's sales are made by Acuity's existing sales team. Acuity has also been developing new sales channels, particularly through partnerships, to accelerate sales growth in North America, which represents almost half of the world market for GRC products.

In the table below are a number of Key Performance Indicators ("KPIs") as sourced from its unaudited management information, which demonstrate the improvement in the performance of Acuity, since the Group made its initial investment:

- monthly recurring revenue: £0.14 million as at 28 February 2023 (30 September 2022: £0.13 million, 31 March 2022: £0.10 million)
- forward contracted revenue: £2.17 million as at 28 February 2023 (30 September 2022: £1.99 million, 31 March 2022: £2.17 million)
- renewal rate: 96 per cent. as at 28 February 2023 (30 September 2022: 96 per cent., 31 March 2022: 82 per cent.)
- sales pipeline: £3.83 million as at 22 March 2023 (30 September 2022: £1.67 million, 31 March 2022: £1.36 million).

Year to 31 March	2023	2022	2021
Annual Revenues £'000	1,762	1,558	1,226
Gross margin %	92%	92%	92%
Renewal rate	96%	82%	81%
Sales pipeline £'000	4,200 (Mar 23)	2,370 (Sept 22)	1,549 (Mar 21)
Net recurring Revenue %	125.6%	_	_

Year to 31 March 2023 unaudited

Further details are set out in note 15 to these financial statements and on the Company's website:

www.drumzplc.com

KCR Residential REIT plc ("KCR")

The Company's other investment is its legacy holding in KCR. This continues to be an asset identified for disposal. In the most recent half year to 31 December 2022 KCR did generate higher revenues, but there were higher costs, albeit some of the rise related to a major refurbishment of properties.

Summary and Outlook

Following the acquisition of Acuity post the Period end, the Group is now being treated as a trading company for the purposes of the AIM Rules. The Group is focussed on its strategy to deliver long term, sustainable growth in shareholder value and in the short to medium term this is expected to come from organic growth and thereafter may also come from complementary acquisitions.

The Board is focussed on:

- accelerating revenue growth both organically in existing and other global markets;
- further penetrating existing markets by forging stronger customer and partner relationships;
- improving productivity;
- continuing to invest in developing STREAM® to enhance its offering; and
- becoming a profitable and cash generative group.

We believe that Acuity is an exciting prospect with much potential and I look forward to reporting on the further progress being made in the coming months.

Angus Forrest
Chief Executive

24 May 2023

Investment Strategy

In the year under review the Group made selected technology investments and then provided its proven skills and expertise to enhance the commercial performance and value of its investments.

Rationale

Many software companies are founded by experts whose skills are in programming and product. Typically, they have developed great solutions but lack the skills and expertise to properly exploit the market opportunity. The Group is looking to acquire such companies, in whole or part, then to assist the management to drive growth. Value is based on a combination of scale, growth rates, renewal statistics and profitability; as they grow both the underlying figures and the value multiplier increase effectively giving a transformation in their value. The Company will then assist with an exit strategy, whether by trade sale or IPO, to give the optimum outcome for its shareholders.

Criteria:

- A standard product is supplied which contains proprietary intellectual property, whether know-how, patents, or other sustainable barriers to entry
- It is enterprise software sold in a B2B market with a significant market opportunity
- It offers high margins
- Business model is SaaS and/or can be made highly scalable
- Established customer base
- Talented management team with ambition

Rationale for opportunity:

- The market opportunity is significant
- The management's skills can be augmented by the Company's expertise to improve growth rates, scale and renewals through strategic, commercial, sales and marketing inputs
- Additional finance may be required and supplied by the Group

Risk Management:

- Product is proven
- Market demand is demonstrable
- Targeted exit routes identified prior to investment

Investing policy

The Company's investing policy is to invest principally, but not exclusively, in the technology sector within Europe. Although the Company intends the main focus of the investing policy to be on technology businesses, this will not preclude the Company from considering investment in suitable projects in other sectors or geographies, where the Directors believe that there are high-growth opportunities.

Post the year end, the Company acquired the remaining shares of Acuity not already owned by it and as a result are now treated as a trading company for the purposes of the AIM Rules. The Group's strategy is to develop the Acuity business to deliver long term, sustainable growth in shareholder value. In the short to medium term this is expected to come from organic growth and thereafter may also come from complementary acquisitions.

The Group is focused on key business objectives including:

- accelerate revenue growth both organically in existing and other global markets;
- further penetrate existing markets by forging stronger customer and partner relationships;
- improve productivity;
- continue to invest in developing STREAM® to enhance its offering; and
- become a profitable and cash generative group

Investment Report

Acuity Risk Management Limited ("Acuity")

Acuity	Software for risk management	Dates of investments September 2020 and 2021
Equity ownership 25%		
Fair value:	Valuation: £625,000	Cost: £625,000
Valuation is based on cost supported by several other factors including trading forecasts.		

Post the year end Drumz bought the holdings of the other shareholders and now owns 100% of Acuity.

Acuity's proprietary software platform STREAM®, provides its users with a comprehensive overview of risk and compliance on an enterprise wide basis. Most customers use their STREAM® software to manage their cybersecurity and IT risks, but it can be configured to manage a wide range of other risks. Risk management, especially in the area of cybersecurity, is increasingly important for all organisations with data, which for any enterprise is an increasingly important asset. The security of and the management and control of that asset is important for financial, reputational and regulatory reasons. The major competitive advantages of STREAM® are the speed of its deployment, the comprehensiveness of the solution and the speed of analysis. Acuity was founded by a team who had previously built and sold a consultancy business specialising in cyber security to a major European multinational. The founders have developed the technology, repeatedly winning awards for the quality of their products as the company's blue chip customer base continues to grow in the UK, Europe and the US. Customers include multinational companies, government departments and other international organisations.

Since the Company's involvement, there has been a greater focus on commercialising Acuity's product. This has resulted in an increase in average sales order values and revenues, higher recurring revenues, closer engagement with customers and a growing sales pipeline. The investment in Acuity has been channelled into exploitation of the market.

In 2021, Acuity launched enhanced versions of STREAM® and in February 2022 in response to customer requests an improved Graphical User Interface (GUI) for better customer experience. The effect of this development is to enable Acuity to compete with all major competitors on similar terms, whilst retaining the advantages of relatively faster and easier deployment for the end user. STREAM® is integrated with Microsoft's Azure product, allowing STREAM® to store data anywhere in the world, which is increasingly important to meet international legislation and regulations.

For more information: www.acuityrm.com

Post the balance sheet date the Group has acquired the whole of the share capital of Acuity. Further details are set out in note 15 to these financial statements and on the Company's website:

www.drumzplc.com

KCR REIT plc ("KCR")

KCR	Residential property fund	Date of investment 2018
Equity ownership 5.8%		
Fair value:	Valuation: £305,000	Cost: £1,705,000
Valuation is based on market value (AIM)		

KCR is an AIM listed real estate investment trust focused on the residential property market. The management's objective is to acquire and manage a substantial rented residential property portfolio in the UK that generates both income and capital appreciation for shareholders. Drumz views KCR as a passive investment.

For more information: www.kcrreit.com

Key performance indicators ("KPIs")

The Group's KPIs are the returns on investment and the net assets position of the Group, including net assets per share. The decline in net assets per share reflects the losses incurred during the financial year. These indicators are monitored by the Board and the details of performance against these are given below.

	2022	2021
Net assets	£1,227,000	£1,547,000
Net assets per ordinary share	0.29p	0.37p

Principal Risks and Uncertainties

The management of the business and the nature of the Group's strategy are subject to risks. The Directors set out below the principal risks the business encounters. Where possible, processes are in place to identify and manage such risks.

The Group operates systems of internal control and reporting to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and, therefore, the understanding of operational risk is central to the management process.

To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below:

	Risk	Potential impact	Mitigation
Investment risk	An investment fails to perform.	Investment may need additional funding.	The Company carries out due diligence before making investments.
	Progress of development is below forecast.	Value creation may be delayed and there may be difficulty in realising the investment. The value of the investment may fall.	A Company Director monitors performance and where the Group owns more than 10% it appoints a director. The Company focuses investment in sectors where it has expertise and investee companies' plans are developed jointly.
	Portfolio valuation is focused on one or two investments.	If an investment fails it will have a material impact on the net assets of the Company.	The portfolio is closely managed to reduce the risk of any investment failing and the Company intends to build a portfolio to reduce the impact of any one failure.
Reliance on people	The Company is not able to retain key individuals with critical skills	The performance of the investee companies may deviate from plan.	The key executives have invested in the Company and will be rewarded through a combination of salary and incentive plans.
Liquidity	The Company cannot raise new funds.	The Company may not be able to make follow-on finance available to existing investments which could affect realisation values. May impact the Company's ability to fund its operational costs.	The Company engages the services of brokers to assist with fund raising when appropriate. The Company intends to maintain material cash balances. The Company may take actions to reduce its cost base.
Legal, regulatory and political risk	The Company's ability to raise new funds may be affected by regulatory and other change	The Company keeps abreast of regulatory and other changes which may affect the Group	The investee companies seek regular updates on matters which may impact the legal framework. The Company liaises regularly with its relevant advisers.
Natural and other widespread disasters	The effect of the uncertainties caused by COVID-19 and how long the crisis will continue.	The impact of COVID-19 on the carrying value of the Group's investments. The impact of widespread technical failure.	The Group is developing its portfolio so spreading the impact of this risk. Liaising with the management of the Company's investee companies to assess key underlying risks and makes plans / decisions to minimise the impact on trading and / or assets. Software as an industry allows employees to work flexibly to an extent that is not available in most other business sectors. Product development, marketing, sales and general management can all be carried out remotely.
Interest rates	Significant upward changes in interest rates.	May affect the ability to raise new funds.	At present, the Company has minimal borrowings and intends to maintain a significant cash balance

Governance

Chairman's Introduction to Governance

As Chairman of the Company, I have overall responsibility for ensuring that corporate governance is embedded within the business. Corporate governance is at the heart of this organisation in order to maintain integrity and to ensure we govern effectively such that we can deliver long-term value for our shareholders.

The Company has chosen to adopt the Quoted Companies Alliance's Corporate Governance Code 2018 (the "QCA Code"), and has updated its website to include additional disclosures required by the QCA Code and the AIM Rules 2021.

The Board recognises the importance of sound corporate governance and applies the ten principles of the QCA Code insofar as reasonably practicable, given the Company's nature and size. Further details on compliance with the principles are provided below. The Company's priority is to generate value for shareholders through making and managing investments in accordance with its investment strategy as detailed on page 5 of this report. The Board believes that the QCA Code provides the Company with a practical and rigorous corporate governance framework to support this strategy and the Company's success. The QCA Code sets out 10 principles which are listed below together with a short explanation of how the Company applies each of the principles:

Principle One – Business Model and Strategy

The Board has decided with regards to the investments to split the portfolio into those investments that are passive and those where our involvement is more active. These active investments are labelled as our strategic investments and are those companies where we continue to hold a significant percentage of the shares in the company, where we remain actively involved with the development of the company, are represented on the board of the investee company and where we believe that the returns that are possible are material. The key challenge to the successful development of this part of the strategy is the mismatch between the on-going short term costs to the Company of working with these strategic investments and the financial reward to the Company for this effort, which would usually be of a longer term nature.

Principle Two – Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company though its website, www.drumzplc.com, and via Angus Forrest, who is available to answer investor relations enquiries.

Principle Three – Stakeholder Responsibilities

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers and regulators. The Board reviews performance of the company, its investments and other KPIs at every Board meeting and from time to time with direct meetings with key executives of the investee companies.

Principle Four – Risk Management

The Board regularly reviews the risks facing the Company and seeks to avoid or mitigate those risks as appropriate. The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Company's risk appetite including the identification, assessment and monitoring of the principal risks.

In addition to its other roles and responsibilities the Audit and Compliance Committee is responsible to the Board for ensuring that procedures are in place and are being effectively implemented to identify, evaluate and manage any significant risks faced by the Company.

The directors have established procedures for the purpose of providing a system of internal control. In addition, there are a range of Company policies that are reviewed at least annually by the Board. These Company policies cover matters such as share dealing and insider legislation, conflicts of interest, social media, expenses, treasury, remuneration, risk and compliance. These areas are also included as permanent agenda items for report and review at each regular board meeting. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the directors.

Principle Five – A Well-Functioning Board of Directors

As at 31 December 2022 the Board comprised, Angus Forrest, and four non-executive directors, Simon Bennett (the Chairman), Nish Malde, John Wakefield and Nick Clark. The Quoted Company Alliance Corporate Governance Code recommends that there should be at least two independent directors. All Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

The time commitment formally required by the Company is an overriding principle that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. This means that Angus Forrest is full time and that the other directors are part time. Biographical details of the current directors are set out below. Executive and non-executive directors are subject to re-election at intervals of no more than three years. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Board meets regularly and is responsible for formulating, reviewing and approving the Company's strategy, budgets, performance, major capital expenditure and corporate actions. The Board meets at least six times per annum. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. Meetings are open and constructive, with every Director participating fully. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.

Attendance at Board and Committee Meetings

The table on page 13 summarises the number of board and committee meetings held during the year and the attendance record of individual directors:

Board of Directors

Simon Bennett
Non-executive Chairman

Simon is a chartered accountant with over 30 years of investment banking experience and providing corporate finance and broking advice to growing companies. He previously worked for a number of the world's largest investment banks and has wide-ranging experience of both international debt and equity models. He was Head of Corporate Finance and Head of Mid and Small Caps team at Credit Lyonnais Securities (now Credit Agricole) as well as Head of Corporate Broking at Fairfax IS plc and Sanlam Securities.

Further, Simon is non-executive Chairman of Alternative Income REIT, the main market listed UK property company that aims to offer investors a secure, diversified and inflation linked income return whilst maintaining capital values in real terms, and is a non-executive director of Kwalee Limited, the publisher and developer of games principally for mobile phones. Simon is Chair of the Audit Committee and a member of the Remuneration Committee at Drumz and Kwalee, and a member of the Audit Committee and Management Engagement Committee at Alternative Income REIT. Simon was a non-executive director and chairman of Billam plc / Energiser Investments plc from 2005 to 2013.In addition, Simon established the privately owned partnership Incremental Capital LLP in 2004 to provide corporate finance advice to mid and small cap companies.

Angus Forrest
Chief Executive

Angus has been an investor in the technology sector for more than 25 years, specialising in business-to-business sales driven companies. Angus was the Chief Executive of investment company, Billam plc which he co-founded, 2000–2006. Billam was the lead investor in Cybit plc, which grew from pre-revenue status to become the leading vehicle telematics business in Europe, through both organic growth and by making selective acquisitions. Billam was an early stage investor in Sareum plc which is on AIM. Billam changed its name to Energiser Investments in 2008, the forerunner to Drumz plc.

Angus founded another AIM quoted investment company, Tern plc in 2013 and was Chief Executive until 2016. In 2018, he became Chief Executive of Imaginatik plc where he was responsible for its turn round and subsequent trade sale.

Angus is founder of Drumz plc (formerly Billam plc).

John Wakefield
Non-Executive Director

John qualified as a solicitor with McKenna & Co (now CMS) before moving into corporate finance, first with Williams de Broe Limited and then at Rowan Dartington & Co Limited, where he was a founder director and shareholder and head of corporate finance. He was a corporate finance director of WH Ireland Limited until 2016.

He has been a member of the AIM Advisory Group, chairman of the London Stock Exchange Regional Advisory Group for the South West and chairman of South West Angel and Investor Network Limited (SWAIN). John is Chairman of Baron Oil PLC and a non-executive director of Petards Group Plc.

John is chair of the Remuneration Committee and a member the Audit Committee.

Nicholas (“Nick”) Clark*

Non-Executive Director

Nick is the founder and Chief Executive of Torpedo Factory Group Limited (“TFG”). He founded the business in 1997 and has successfully grown it through a combination of acquisitions and organic growth. TFG is a technology systems integrator, primarily operating in audio visual systems for commercial environments and the provision of technology for the theatre and performing arts sector. On 20 March 2023 Torpedo Factory Group Ltd was acquired by Aukett Swanke Group plc (LON:AUK) and Nick joined that company’s board as an executive director, becoming its Chief Executive in April 2023.

Prior to starting TFG Nick studied physics at Imperial College graduating with a BSc Hons 2(i), followed by an MPhil in Microelectronic Engineering and Semiconductor Physics at the University of Cambridge.

Simon Marvell*

Non-Executive Director

Simon is the co-founder, Chief Executive of Acuity and largest shareholder of Drumz and has a background in management consultancy specialising in telecommunications and cyber security. In 1991, prior to co-founding Acuity, Simon co-founded Insight Consulting Limited, which provided consultancy and training in cyber security, risk management and business continuity management services. It was sold to Siemens plc in 2004 and in 2005 he co-founded Acuity. He has a BSc Hons 1st Class degree in Engineering Physics from Loughborough University.

* Nick Clark and Simon Marvell were appointed to the Board of the Company on respectively 7 June 2022 and 24 April 2023. Nish Malde resigned from the Board on 9 March 2023.

Corporate Governance Statement

Board composition and independence

The Board is collectively responsible for the long-term success of the Company and for its leadership, strategy, values, control and management. Board meetings are held at such times as are required for the effective operation of the Company's investment strategy and monitoring of investments. All Directors commit the time necessary to fulfil their roles, and this position is kept under review. Given the size of the Board and the scale and nature of the Company's business, the Company does not yet have a separate Nominations Committee.

The Board has considerable experience and expertise in the technology sector and the running of publicly traded companies. Simon Bennett and John Wakefield are considered to be independent directors.

Full biographical details of all directors can be found on page 12 and 13 and on our website www.drumzplc.com

Board and Committee attendance

During the year, the Board held five scheduled and three unscheduled meetings. The following table shows the attendance of directors at Board and Committee meetings held during the year:

	Board Meetings	Committees	
		Audit	Remuneration
Simon Bennett	8	2	1
Nick Clark*	4	0	0
Angus Forrest	8	0	0
Nish Malde*	8	2	1
Simon Marvell*	0	0	0
John Wakefield	7	2	1

* Nick Clark and Simon Marvell were appointed to the Board of Drumz on respectively 7 June 2022 and 24 April 2023. Nish Malde resigned from the Board on 9 March 2023.

Appointment of Directors

The Board deals with all matters relating to the appointment of Directors, including determining the specification, identifying suitable candidates and selection of the appointee. No separate Nomination Committee has yet been formed.

Throughout the year, the Articles of Association have required each Director to seek re-election after no more than three years in office. The QCA Code recommends that non-executive directors are appointed for a fixed term. The Board considers that shareholders should have the opportunity to vote on the re-appointment of non-executive directors and accordingly each of the present non-executive directors will retire by rotation at least once over the next three years.

Board activities in the year to 31 December 2022

The table on pages 18 and 19 identifies the matters considered by the Board and notes the consideration given to the key stakeholder groups. One of the focuses for the Board is the impact any decision or action may have on key stakeholder groups represented within the Board's common duty under s172 of the Companies Act 2006. The Board notes the importance of the amount of engagement it has with key shareholder groups and how their respective views may be incorporated into decision making. Whilst considering the necessity of promoting the Company's success for the benefit of its members as a whole, the Board considers the impact of its decisions and policies on key stakeholder groups.

Principle Six – Appropriate Skills and Experience of the Directors

The Company believes that the current balance of skills in the Board as a whole reflects a broad range of personal, commercial and professional skills and a range of financial and managerial skills. The Chief Executive maintains ongoing communications with the Non-Executives between formal Board meetings.

In addition to their general Board responsibilities, non-executive Directors are encouraged to be involved in having inputs, in line with their individual areas of expertise. The Board is kept abreast of developments of governance and AIM regulations. The Company's NOMAD provides initial training including the AIM Rules as part of a new Director's on boarding, thereafter when there are relevant updates. All Directors develop their skills and capabilities through their continuing experiences.

The Directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

The Board currently consists of five directors and, in addition, the Company has outsourced the provision of book keeping and accounting services and company secretarial services.

Principle Seven - Evaluation of Board Performance

The Directors consider that the Company and Board were not yet of a sufficient size for a full Board evaluation to make commercial and practical sense for the year ended 31 December 2022. In the Board meetings/calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. The Board intends to undertake a Board evaluation before reporting on the current year.

Principle Eight - Corporate Culture

The Board recognises that the decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with investee companies. Therefore, sound ethical values and behaviours are important for the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, there is open dialogue within the Company and there is a commitment to provide the best service possible to all the Company's customers, clients and investee companies. Whilst the Company has a small number of employees, the Board maintains that, as the Company grows, it intends to maintain and develop strong processes which promote ethical values and behaviours across all hierarchies.

The Board places great importance on the responsibility of accurate financial statements and auditing standards complying with Auditing Practice Board's (APB's) and Ethical Standards for Auditors. The Board places great importance on accuracy and honesty and seeks to ensure that this aspect of corporate life flows through all that the Company does.

The Board has adopted an anti-corruption and bribery policy which is outlined on the Company's website. The policy applies to all Directors and employees of the Company, and sets out their responsibilities in observing and upholding a zero tolerance position on bribery and corruption, as well as providing guidance to those working for the Company on how to recognise and deal with bribery and corruption issues and the potential consequences.

The Company has adopted a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with rule 21 of the AIM rules.

Principle Nine - Maintenance of Governance Structures and Processes

The Board is committed to, and ultimately responsible for, high standards of corporate governance. The Board reviews the Company's corporate governance arrangements regularly and expects these to evolve over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit.

Ultimate authority for all aspects of the Company's activities rests with the Board, with the respective responsibilities of the Independent Directors and Chief Executive arising as a consequence of delegation by the Board. The Board has adopted two statements; the first sets out matters which are reserved to the Board and the second establishes the division of responsibilities between the Chairman and the Chief Executive. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business, the general day-to-day running of the business and developing corporate strategy, and primary contact with shareholders has been delegated by the Board to the Chief Executive.

Audit and Compliance Committee

For the year under review the Audit and Compliance Committee comprised Simon Bennett (Chairman), Nish Malde, and John Wakefield. A detailed description of the Committee's activities is shown on pages 20 and 21.

Remuneration Committee

For the year under review the Remuneration Committee comprised John Wakefield (Chairman), Nish Malde, and Simon Bennett. A detailed description of the Committee's activities is shown on pages 22 and 23.

Non-executive Directors

The Board has adopted guidelines for the appointment of non-executive directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the Chairman and non-executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten - Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Information is available on the Investor Relations section of the Company's website www.drumzplc.com, and is kept updated with details of relevant developments, regulatory announcements, financial reports and shareholder circulars.

Shareholders with a specific enquiry can contact the board though the website and via Angus Forrest, who is available to answer investor relations enquiries. The Company uses electronic communications with shareholders in order to maximise efficiency.

Organisation review

The Board of Directors provide extensive experience in advisory and the technology sector, including the operation of public companies.

The Board of Directors

The Board is responsible for providing strategic direction for the Company, setting objectives and management policies and agreement on performance criteria. The Board monitors compliance with objectives and policies of the Company through monthly performance reporting, budget updates and monthly reviews. The current composition of the Board is one Executive Director and four Non-Executive Directors. The Board believes the composition of the Board provides an appropriate mix to conduct the Company's affairs at the present time.

Audit Committee

During the year under review the Audit Committee was chaired by Simon Bennett. It met to review the Interim Report, the Annual Report, to consider the suitability and monitor the internal control processes and to review the valuations for the portfolio of directly held investments. There were two Audit Committee meetings during the year. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually and the Audit Committee meets at least once per financial year with the auditors to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, auditor appointment and fee levels and other appropriate matters.

Remuneration Committee

The Remuneration Committee provides a formal and transparent review of the remuneration of the Executive Directors and senior employees and makes recommendations to the Board on individual remuneration packages. This includes the award of non-contractual performance related bonuses and share options. Remuneration packages are designed to reward, motivate, retain and recruit individuals. Bonuses are only paid in recognition of performance. The committee comprises John Wakefield (Chairman), Simon Bennett and Nick Clark. No Director took part in discussions concerning the determination of their own remuneration.

Risk management

The Board has overall responsibility for risk management and has established a framework which ensures that principal risks are discussed, understood, mitigated, and where possible prevented. Risk assessment is an integral part of any investment decision and the Company's risk framework ensures that decisions are made on an informed basis to reflect agreed business strategy and agreed risk tolerance.

The Board considers that the key risks faced by the Company are:

- Underperformance of the Group's investments
- Reliance on key people
- A lack of liquidity
- Longer-term economic or political environments, which cannot be predicted currently, but which may affect the sphere of activity for the Company.
- The short and longer-term impact of natural and other disasters.

The Board's strategies to mitigate these risks are as follows:

- Investments
  - To maintain a high level of awareness of investment opportunities through the Board's knowledge and through a network of experts;

  - To seek to ensure that investments are made in technology operating companies which operate in sectors and geographies that are likely to be least affected by a fall in values; and
  - To keep the Company's investments under regular review for performance against budget and in light of the economic and political climate and, where possible, to structure investments to mitigate these risks from the onset.
- Incentivise and retain key people
- To maintain cash balances and raise new funding well in advance of it being required

s.172 Companies Act 2006 and key stakeholders

The Company is dependent on a number of stakeholders to enable it to progress towards its objectives of growing and creating value for shareholders. Our key stakeholders are our shareholders, people, portfolio companies, those we transact business with and the Community.

L – Long Term	C - Colleagues	S – Shareholder	B – Business conduct
I – Investees	Co – Community	E - Environment	

Matters considered by the Board in the year	Shareholder impact	Stakeholder and s172 Companies Act
Business Review, Performance and Strategy		
Regular reports from the Chief Executive	L, C, S, B, I	Consideration and approval of the Company's strategy, investments, overall and specific performance
Approval of the Group's strategy and new investments	L, C, S, I	In respect of the above the Board reviews proposals, activity and performance against targets
Financial		
Regular accounts and other financial reports compared with budget.	L, C, S, I	Dissemination of key financial information to the Board and other executives to assist with understanding and decision making.
Approval of the Company's business plan and budget	L. C, S, I	Following the publication of the full year and interim results, dissemination to investors and potential investors.
Approval of the full year report and accounts and interim statement		
Approval of all trading announcements	L, C, S, I	
Internal controls and risk management		
Review of internal controls and financial and other performance of the portfolio companies.	L, C, S, I	Whilst the Company is small, there is a separation of activities to ensure checks and balances.
Governance		
Regular reports to and feedback from the Company's advisers	L, C, S, I	Feedback for the various stakeholder groups influences and is taken into account when the Board is making its decisions.
Review of Company against Company values	L, C, S, I, B and Co	

The Board remains aware of the importance of evaluating its performance and that of the Company and its operations to promote the long term success of the Company thereby generating value for shareholders and other stakeholders, including contributing to the wider society.

Engagement with Shareholders

The Board is keen to ensure that the Company's shareholders and any potential investors have a good understanding of the business and its performance. During the year, enquiries are received and answered on a wide spectrum of topics relevant to the business directly or through periodic updates on the Company's website.

Corporate website

The corporate website has a dedicated investor section at https://www.drumzplc.com/investors which includes annual and interim financial reports, RNS releases and full Rule 26 disclosures.

Email info@drumzplc.com

AGM

The AGM allows the Board to update the shareholders on the Company's progress and provides an opportunity for shareholders to pose questions to Directors. In particular, the AGM provides an opportunity for shareholders, particularly private investors, to engage in wider discussion with the Board on issues of concern or interest to them, and to share their thoughts on the Company's strategy and business model.

This year's AGM will be held on 27 June 2023.

Simon Bennett
Chairman
24 May 2023

Audit Committee Report

for the year ended 31 December 2022

Chairman's introduction

It gives me great pleasure to present the Audit Committee report on behalf of the Audit Committee. Drumz plc is an AIM listed company and as such, we are guided by the QCA's Audit Committee Guide. Below we set out the Committee's responsibilities and report on the activities of the Committee during the year ended 31 December 2022.

The Board is pleased to propose the re-appointment of PKF Littlejohn LLP as the Company's Auditor at this year's AGM.

The role and duties of the Audit Committee

The role of the Audit Committee assists the Board with monitoring, reviewing and challenging the integrity of the Company's financial results. The framework of duties is set out in its Terms of Reference which are available on the Company's website.

Duties of the Committee

The Audit Committee is responsible for ensuring the financial performance of the Company is properly recorded and reported on, including adopting suitable accounting policies and judgements which affect the financial statements. Also, appointing and liaising with the external auditors without the Executives present.

Committee membership and attendance

Appointments to the Committee, which currently comprises Simon Bennett, Nick Clark and John Wakefield are made by the Board, having been deemed to have the appropriate skills and experience. In that regard, Simon Bennett has recent and relevant financial experience. Only members of the Committee have the right to attend meetings, although others may be invited to attend meetings as appropriate.

The external auditors also attend the meetings to discuss the planning and conclusions of their work and meet with the members of the Audit Committee without any members of the executive team present after each meeting. The Audit Committee can call for information from management and consults with the external auditors directly if required.

Attendance

During the year, the Committee held two scheduled meeting and reported on its activities to the Board. The members of the Audit Committee, and their attendance at meetings are detailed on page 14.

Activities of the Committee

Areas of focus	Activities during the year ended 31 December 2022
Financial Statements and narrative reporting	• Reviewing the financial statements and narrative reporting in the Annual Report and Accounts for 2022 • Consideration of reports from the external auditor in respect of the Annual Report and Accounts for 2022
Going Concern	A review of the Group as a going concern including methodology, assessment in support of the going concern assumption, concluding the expectation that the Group has adequate resources to continue in operational existence for the foreseeable future
Accounting policies and standards	A review of the Group's accounting policies and ensuring they are in accordance with International Accounting Standards Consideration of effects of changes in accounting standards to the Group's financial statements
Review of external auditor	The Audit Committee reviews the performance of the External Auditor regularly

External Auditor

Audit process
The Audit Committee liaises with the external auditor prior to the start of the audit, during the audit process and in a review at the end of the audit, including Auditor's management representation letter.

Effectiveness and independence of the external auditor
The Audit Committee reviews and monitors the independence and the objectivity of the external auditor.

Appointment of the external auditor
The Audit Committee advises the Board on the appointment, reappointment and removal of the external auditor.

Internal Audit Function
Given the size of the Company, internal controls and segregation of tasks it has been decided that it would be impractical to set up an internal audit. This decision will be reviewed from time to time.

Whistleblowing
Every executive's contract of employment contains a section on whistleblowing and there is a Company procedure in the event that a whistleblower wants to bring a matter to the attention of the Board.

Simon Bennett
Audit Committee Chairman
24 May 2023

Remuneration Report
for the year ended 31 December 2022

The policy of the Board is to provide executive remuneration packages designed to attract, motivate, and retain Directors and employees of a sufficiently high calibre such that shareholder value will be enhanced and to reward them accordingly. It aims to provide sufficient levels of remuneration to do this, but also to avoid paying more than is necessary.

Angus Forrest has a service contract with a notice period of six months.

Main elements of remuneration

The three main elements of the Executive Directors' remuneration package which is a mix of fixed and variable pay: base salary, performance-related bonus and share option incentives.

Base salary

Base salaries payable to Executive Directors are reviewed annually by the Board. In determining the appropriate levels of remuneration, the Board believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar roles in comparable companies.

Summary of Directors' remuneration including employers NI:

	Salary/ fees 2022 £'000	Total 2022 £'000	Total 2021 £'000
Executive			
A Forrest	53	53	53
Non-executive			
S Bennett	26	26	26
N Clark*	8	8	0
N Malde*	16	16	16
S Marvell*	-	-	-
J Wakefield	16	16	16
	119	119	111

* Nick Clark and Simon Marvell were appointed to the Board of the Company on respectively 7 June 2022 and 24 April 2023. Nish Malde resigned from the Board on 9 March 2023.

There were no contributions to money purchase or other pension schemes in the year (2021 £nil).

Non-executive Directors

Remuneration for non-executive Directors is determined by the Board. The non-executive Directors have a Letter of Appointment which can be terminated by either party giving the other three months prior written notice.

Company Share Option Plans

No share options were granted during the year. All share options are part of a Company Unapproved scheme.

Directors hold the following options over shares in the Company:

	31 December 2022	31 December 2021
S Bennett	4,000,000	4,000,000
A Forrest	8,000,000	8,000,000
N Clark	-	-
N Malde	2,000,000	2,000,000
S Marvell	-	-
J Wakefield	1,000,000	1,000,000

On 15 July 2020 11,000,000 share options were issued exercisable at 0.65p and on 25 November 2020 4,000,000 exercisable at 0.55p, in both cases at any time in the 10 years from the date of grant. Details of the fair value of these options can be found in note 9.

On 24 April 2023 a resolution was approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10.

The directors' interests in the shares of the Company are shown in the table on page 24 as at 31 December 2022.

ON BEHALF OF THE BOARD

John Wakefield

Chairman of the Remuneration Committee
24 May 2023

Directors' Report

for the year ended 31 December 2022

The Directors have pleasure in submitting their report, together with the financial statements of the Group and Company, for the year ended 31 December 2022.

Principal activity

Drumz is building a software group, investing in and acquiring technology companies, which offer value creation opportunities over the medium term.

Review of business and dividends

A review of the current and future development of the Group's business is given in the Strategic Report on pages 1 to 9 which forms part of, and by reference is incorporated in, this Directors' Report.

The principal risks and uncertainties faced by the Group are set out on page 9.

Results and Dividends

The results of the Group for the year ended 31 December 2022 are set out in the Group Statement of Comprehensive Income. The Directors do not recommend the payment of a dividend for the year.

Directors and Directors' interests

The Company supports the concept of effective Board leadership and control of the Company. The Board is responsible for approving Company policy and strategy. All Directors have access to advice from the Company Secretary and if necessary, from independent professionals at the Company's expense. The biographical details for the Board members serving as at the date of this report are shown on page 12 and 13.

Those Directors who held office during the year and their interests in the shares of the Company, which include beneficial and family interests, are shown below:

	As at 31 December 2022 ordinary shares of 0.1p	As at 31 December 2021 ordinary shares of 0.1p
Simon Bennett	2,000,000	2,000,000
Nick Clark[1]	89,360,000	N/A
Angus Forrest[2]	30,289,930	30,289,930
John Wakefield	1,666,667	1,666,667
Nishith Malde[3]	14,356,631	14,356,631

On 24 April 2023 a resolution was approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10.

1 Nick Clark became a director on 7 June 2022, his holding comprises that of himself and his family.

2 Angus Forest's interest in shares includes those held by his pension fund.

3 The beneficial holding of Nishith Malde comprises his direct shareholding of 1,289,713 shares and an interest of 145,950 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 8.4%.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

There is a link on the Company's website to enable shareholders to communicate with the Company. The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on any issues arising.

The notice convening the AGM is sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

Accountability and audit

The Board endeavours to present a balanced and understandable assessment of the Group's position and prospects in all reports as well as in the information required to be presented by statutory requirements.

Supplier payment policy

It is the policy and normal practice of the Group to make payments due to suppliers in accordance with agreed terms and conditions, generally 30 days. Where suppliers offer early settlement discounts, these may be accepted.

Going concern

The financial statements have been prepared on the going concern basis, the Directors having considered the cash forecasts for the next 18 months from the date of the approval of these financial statements. In doing so they have given due regard to the risks and uncertainties affecting the business as set out in the Strategic Report on page 9 and the liquidity of investments and the liquidity risk disclosed in Note 11. On this basis, the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

Corporate Governance

The Group has set out its full Corporate Governance Statement on pages 10 to 27. The Corporate Governance Statement forms part of this Directors' report and is incorporated into it by cross reference.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective systems can provide only reasonable, but not absolute, assurance against material misstatement or loss.

Assessment of business risk

The Board regularly reviews operating and strategic risks. The Group's operating procedures include a system for reporting financial and non-financial information to the Board as and when appropriate, including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of the Company's investments;
- reports on the selection criteria of new investments; and
- consideration of reports prepared by third parties.

Control procedures

Operational procedures have been developed for each of the Group's operating businesses that embody key controls over relevant areas. The implications of changes in law and regulations are taken into account by the Group.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Group. However, it will keep this decision under review.

Significant shareholdings

On 24 April 2023 a resolution was approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10. According to the Company's register of substantial shareholdings as at 24 May 2023 the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital. The holdings of Directors who served during the year are shown on page 23.

	Number of shares	%
Simon Marvell	31,647,998	27.0
Richard Mayall	13,325,173	10.2
J&O Simmons	5,000,000	4.1

Simon Marvell's and Richard Mayall's shareholdings in the Company were obtained after the balance sheet date, as a result of the acquisition of the ordinary shares in Acuity Risk Management Limited that the Group did not already own. Further details are set out in note 15 to these financial statements.

Financial risk management objectives and policies

The Group's financial instruments comprise its investments, cash balances, receivables and payables that arise directly from its operations and derivative instruments. The Group is exposed to market risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the Group's operating activities.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Group makes investments for the long term. Accordingly, the Group rarely trades investments in the short term, however, it may do so in order to meet its funding requirements. It should be noted that, the market in small capitalised companies can be illiquid. Accordingly, the Directors monitor the market and make disposals as and when it would be appropriate to do so.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of carrying an amount of cash and cash equivalents as presented on the face of the Statement of Financial Position and compared to the short and medium term liabilities and expected liabilities.

Greenhouse Gas (GHG) Emissions

The Company is aware that it needs to measure its operational carbon footprint in order to limit and control its environmental impact. However, given the very limited nature of its operations during the year under review, it has not been practical to measure its carbon footprint. In the future, the Company will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

The Company has not made separate disclosures relating to energy consumption and efficiency as the entity consumed less than 40,000 kWh of energy during the period

Post balance sheet event

Post the balance sheet date the Group has acquired the whole of the share capital of Acuity. Further details are set out in note 15 to these financial statements and on the Company's website.

Disclosure of information to Auditors

The Directors confirm that:

• So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
• The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

PKF Littlejohn LLP have been appointed as auditor for the ensuing year in accordance with section 487 of the Companies Act 2006 subject to re-election at the next AGM.

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 prepared financial statements in accordance with UK-adopted international accounting standards. 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 and of the profit or loss of the company and group for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether, for the group and company, UK-adopted international 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 Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The Company is compliant with AIM Rule 26 regarding the Company's website.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

ON BEHALF OF THE BOARD

Simon Bennett
Non-executive Chairman
24 May 2023

Financial Statements

for the year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRUMZ PLC

Opinion

We have audited the financial statements of Drumz Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise*:* the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting included a review of budgets for at least 12 months from the sign off date, including checking the mathematical accuracy of the budgets and discussion of significant assumptions used by the management and comparing these with current year and post year end performance. We have also reviewed the latest available post year general ledgers, bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the Group and the Parent company.

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 or 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.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures.

The threshold used by the auditor as being materiality for the financial statements as a whole for the Group financial statements is £49,200 (2021: £46,100), with performance materiality set at £34,440 (2021: £32,270) - 70% of the headline materiality which is considered reasonable given the size, nature and simplicity of its operations and the inherent risk associated with the audit.

Materiality has been calculated based on 5% of the benchmark of net assets, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the group in assessing financial performance due to company being an investment holding company.

The materiality applied to the Parent company financial statements was £49,000 (2021:£46,000). The performance materiality was £34,300 (2021: £32,000). For each component in the scope of or Group audit, we allocated a materiality that was less than our overall group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,460 (2021: £ 2,305) as Group level and £2,450 (2021: £2,300) at Parent company level.

Our approach to the audit

In designing our audit, we determined materiality, as above, and assessment the risk of material misstatement in the financial statements. We addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represents a risk of material misstatement due to fraud. In particular we looked at the areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, such as the fair value of unquoted investments, the share reorganisation and the value of the share options scheme.

In addition, we focused our audit on the significant risk areas including the Key Audit Matters as outlined below.

A full scope audit was performed on the complete financial information of the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Valuation of investments – See note 6 in the financial statements	
The Parent company holds listed and unlisted investments. There is a risk that the investments are not valued correctly. **The investments carrying value is £930,000 as at 31 December 2022, which comprises 73% of the group's total assets.**	Our work in this area included: • For listed investments, verification of the year end share price used in the valuation to a third party source; • For unlisted investments; as they contain material accounting estimates, we tested how the directors made the accounting estimate and determine the reasonableness thereof;

The parent company holds two investments: • **An equity investment in a company listed on the London Stock Exchange AIM measured at fair value through profit and loss; and** • **An unlisted investment measured at fair value through profit and loss. The fair value being assessed to equal the cost.** **The directors are required to use their judgement in respect of the unlisted investment to assess the fair value.** **We have assessed this area to be a key audit matter because of the financial significance of the investments and the need for judgement in assessing the fair value.**	• Ensured that the investments are correctly fair valued at the year end and any gain/loss is appropriately recognised; and • A review of the disclosures in the financial statements for compliance with IAS UK. *The fair value of the KCR Residential REIT Plc was recalculated using the year end share price and the number of shares held in the investment as at the year end.* *The unlisted investment is held at cost because the directors' do not consider that there are relevant observable inputs available and therefore cost is the best indicator for fair value as at 31 December 2022. We consider the basis for valuation to be appropriate.*

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 by 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 group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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.

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.

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, the London Stock Exchange AIM Rules for Companies, International Financial Reporting Standards and tax legislation within the United Kingdom.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - *Enquiries of management*
    - *Review of board minutes*
    - *Review of legal / regulatory expenditure*

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was in the valuation of investments. We addressed the risk by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *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.

Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
24 May 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Group statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue		60	44
Cost of sales		—	—
Gross profit		60	44
Administrative expenses		(316)	(283)
Operating (loss)	2	(256)	(239)
Loss on investments	6	(85)	(183)
Loss before taxation		(341)	(422)
Taxation	4	—	—
Loss for the year attributable to shareholders of the parent company		(341)	(422)
Total comprehensive income for the year attributable to shareholders of the parent company		(341)	(422)
Earnings per share			
Basic and diluted earnings per share from total and continuing operations	5	(0.8)p	(1.2)p

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Group statement of financial position
as at 31 December 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6	930	1,015
		930	1,015
Current assets			
Trade and other receivables	7	122	23
Cash and cash equivalents		222	561
		344	584
Total assets		1,274	1,599
LIABILITIES			
Current liabilities			
Trade and other payables	8	47	52
Total liabilities		47	52
Net assets		1,227	1,547
EQUITY			
Share capital	9	2,688	2,688
Share premium		8,385	8,385
Share option reserve		51	30
Merger reserve		1,012	1,012
Retained earnings		(10,909)	(10,568)
Total equity		1,227	1,547

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 24 May 2023.

Angus Forrest
Chief Executive

Simon Bennett
Chairman

Company Number
00298654

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of financial position

as at 31 December 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6	930	1,015
		930	1,015
Current assets			
Trade and other receivables	7	122	23
Cash and cash equivalents		222	561
		248	584
Total assets		1,274	1,599
LIABILITIES			
Current liabilities			
Trade and other payables		47	52
Total liabilities	8	47	52
Net assets		1,227	1,547
EQUITY			
Share capital	9	2,688	2,688
Share premium		8,385	8,385
Share option reserve		51	30
Merger reserve		1,012	1,012
Retained earnings		(10,909)	(10,568)
Total equity		1,227	1,547

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Statement of Comprehensive Income. The loss for the Parent Company for the year was £341,000 (31 December 2021: loss of £422,000).

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2023.

Angus Forrest Chief Executive	Simon Bennett Chairman

Company Number
00298654

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Group statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Share Option Reserve £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	2,613	8,039	—	88	1,012	(10,234)	1,518
Issue of shares	75	346	—	—	—	—	421
Total comprehensive income	—	—	—	—	—	(422)	(422)
Share options			30				30
Write-off of convertible equity				(88)		88	
Balance at 31 December 2021	2,688	8,385	30	-	1,012	(10,568)	1,547
Balance at 1 January 2022	2,688	8,385	30	-	1,012	(10,568)	1,547
Transactions with owners in their capacity as owners:							
Share options	—	—	21	—	—	—	21
Total comprehensive income	—	—	—	—	—	(341)	(341)
Balance at 31 December 2022	2,688	8,385	51	—	1,012	(10,909)	1,227

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Share Option Reserve £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	2,613	8,039	—	88	1,012	(10,234)	1,518
Issue of shares	75	346	—	—	—	—	421
Total comprehensive income	—	—	—	—	—	(422)	(422)
Share options			30				30
Write-off of convertible equity				(88)		88	
Balance at 31 December 2021	2,688	8,385	30	-	1,012	(10,568)	1,547

	Share capital £'000	Share premium £'000	Share Option Reserve £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022	2,688	8,385	30	-	1,012	(10,568)	1,547
Transactions with owners in their capacity as owners:							
Share options	—	—	21	—	—	—	21
Total comprehensive income	—	—	—	—	—	(341)	(341)
Balance at 31 December 2022	2,688	8,385	51	—	1,012	(10,909)	1,227

The accompanying accounting policies and notes form an integral part of these financial statements.

Group statement of cash flows
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Loss before taxation	(341)	(422)
Adjustments for:		
Fair value adjustment for listed investments	85	183
Increase in share based payments	21	30
(Increase) in trade and other receivables	(99)	(9)
(Decrease) in trade and other payables	(5)	(8)
Net cash used in operating activities	(339)	(226)
Cash flows from investing activities		
Purchase of investments	-	(125)
	-	(125)
Cash flows from financing activities		
Cash raised through issue of shares (net of transaction costs)	-	421
Net increase / (decrease) in cash and cash equivalents	(339)	70
Cash and cash equivalents at beginning of financial year	561	491
Cash and cash equivalents at end of financial year	222	561

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 December 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(341)	(422)
Adjustments for:		
Fair value adjustment for listed investments	85	183
Increase in share based payments	21	30
(Increase) in trade and other receivables	(99)	(9)
(Decrease) in trade and other payables	(5)	(8)
Net cash used in operating activities	(339)	(226)
Cash flows from investing activities		
Purchase of investments	-	(125)
	-	(125)
Cash flows from financing activities		
Cash raised through issue of shares (net of transaction costs)	-	421
Net increase / (decrease) in cash and cash equivalents	(339)	70
Cash and cash equivalents at beginning of financial year	561	491
Cash and cash equivalents at end of financial year	222	561

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Principal accounting policies
for the year ended 31 December 2022

General information

Drumz plc is a company incorporated and domiciled in the United Kingdom. The Company is a public limited company, which is listed on AIM of the London Stock Exchange, incorporated in the UK and domiciled in England and Wales. The address of the registered office is 2nd Floor, 80 Cheapside, London EC2V 6EE.

The principal accounting policies adopted in the preparation of the Group and Company financial statements are set out below.

Basis of accounting

Basis of preparation

The Group and Company financial statements have been prepared under the historical cost convention, except as modified for financial assets at fair value through profit or loss. The financial statements are presented in pounds sterling (£'000), which is also the functional currency of the Company and Group.

The Group and Company financial statements have been prepared in accordance with the accounting policies set out below and international accounting standards in conformity with the Companies Act 2006.

The accounting policies have been applied consistently throughout the Group and the Company for the purposes of the preparation of these financial statements and the same accounting policies, presentations and methods of computation are followed in this set of financial statements as were applied in the previous set of audited financial statements.

Going concern

The financial statements have been prepared on the going concern basis.

The Directors have reviewed the Company's budgets and considered plans. This combined with a review of the Company's cash balances, saleable securities and discussions with the advisers have led them to conclude there is a reasonable expectation that the Company and Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's and Group's financial statements. This has been assessed using detailed cash flow analysis so that the Board can conclude that the Company and Group has sufficient capital resources for at least 12 months from the approval of these financial statements.

Changes in accounting policies

New standards adopted during the year

There were no new standards or interpretations effective and adopted for the first time for the year beginning on or after 1 January 2022 that had a significant effect on the Group's or Company's financial statements. These include:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2022)
- Amendments to IAS 1, IAS 8: Disclosure of Accounting Policies and Definition of Accounting Estimates
- Amendments to IFRS 3 References to the Conceptual Framework in IFRS Standards (effective 1 January 2022)
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 as part of Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022)
- Amendments to Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 March 2022)

Standards in issue but not yet effective

The following accounting standards, amendments to existing standards and interpretations are not yet effective and have not been adopted early by the Group or Company:

- Amendments to IFRS 1 and IAS 12 - Deferred Tax related to Assets and Liabilities from a Single Transaction (effective 1 January 2023)

- Amendments to Practice Statement 2, IAS 1, IFRS 8, IAS 34, IAS 26 and IFRS 7 – Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Amendments to IAS 8 – Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)

Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2022. Subsidiaries are entities over which the Group is exposed to, or has rights to, the variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Group obtains and exercises control through voting rights.

Intercompany transactions, balances, and unrealised gains on transactions between the Parent Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Revenue and other income

Fees and other income from investee companies is recognised as revenues as it falls due.

Interest is recognised as it becomes due.

Dividends are recognised when the shareholders' right to receive payment is established.

Taxation

Current tax is the tax currently payable based on taxable profit/(loss) for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group or Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of comprehensive income, except where they relate to items that are charged or credited directly to other comprehensive income or equity, in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Financial assets

Financial assets are divided into the following categories: loans and receivables (including trade and other receivables) and fair value to profit and loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date, at which point a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs.

Fair value through profit and loss assets are initially recognised at cost in accordance with IFRS 9 and are subsequently re-measured at the reporting date. The movement in fair value is recognised in the Statement of profit and loss and other comprehensive income in accordance with IFRS 13.

Investments

All investments are determined upon initial recognition as held at fair value through profit and loss. Investment transactions are accounted for on a trade date basis. Asset sales are recognised at the trade date of the disposal. The Fair value of the financial instruments in the Statement of Financial Position is based on the last transaction price at the Statement of Financial Position date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions and last price. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "movement in fair value of investments". Investments are measured at fair value in accordance with IFRS 9. Details of the valuation technique for each investment is set out in the Investment Report on pages 7 and 8.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

They are subsequently measured at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the Statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires. When the obligation is extinguished by conversion to equity, a gain or loss is recognised in respect of the difference between the carrying value of the debt compared to the fair value of the shares issued.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

Equity comprises the following:

- **Share capital** represents the nominal value of equity shares.
- **Share premium** represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Share option reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements
- **Retained earnings** represents retained profits/(losses).
- **Merger reserve** represents the excess of the nominal value of shares issued in the acquisition of a subsidiary undertaking and the nominal value of the subsidiary undertaking's shares; and

Segment reporting

In accordance with IFRS 8, information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the Group engages. In identifying its operating segments, management differentiates between each investment. These segments are based on the information reported to the chief executive. The Group's result to date is substantially derived from investment activities.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. Where material, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity. The preparation of financial information in conformity with international accounting standards in conformity with the Companies Act 2006 requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period.

Critical accounting estimates and judgement

In the process of applying the Group's accounting policies, which are described above, management has made the following assumptions that have the most significant effect on the amounts recognised in the financial information:

Valuation of unlisted investments and option

The Company holds one unlisted investment valued at cost in the financial statements, which is concluded to be its fair value because of a lack of observable information. When considering the valuation, in the absence of any market liquidity or transaction with other investors the directors reviewed the trading and future prospects such as the budget, sales pipeline and forward contracted revenues.

Share based payments

The Group has made awards of options on its unissued share capital to directors as part of their remuneration package. The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates. The Group has used the Black-Scholes formula to calculate the fair value of outstanding share options. The assumptions applied to the Black-Scholes formula for share options issued and the fair value per option are described in more detail in note 9.

The expense charged to the Statement of Comprehensive Income during the year in relation to share based payments was £21,000 (2021 - £30,000).

Notes to the Financial Statements
for the year ended 31 December 2022

1. Income and segmental analysis

The Group generates income by charging investee companies fees and for profits or losses on investments. These operating segments are monitored by the Executive Directors and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

Segmental analysis by activity

	2022	2021
	£'000	£'000
Segment result		
Operating income	60	44
Investment activities:		
Administrative expenses	(316)	(283)
Operating loss/profit	(256)	(239)
Loss in value of quoted investment	(85)	(183)
Loss before tax	(341)	(422)

	2022	2021
	£'000	£'000
Segment assets		
Investment activities:		
Non-current assets – investment	930	1,015
Other	344	584
Total assets	1,274	1,599
Segment liabilities		
Investment activities:		
Current liabilities	47	52
Total liabilities	47	52
Total assets less total liabilities	1,227	1,547

The activity of investments arose wholly in the United Kingdom.

2. Operating profit / (loss)

Operating profit / (loss) is stated after charging:

	2022 £'000	2021 £'000
Auditor's remuneration for:		
Audit services		
– audit of the Group's and Company's annual accounts	18	16
– audit of subsidiaries pursuant to legislation	4	3

3. Directors and employees

Staff costs during the year were as follows:

	2022 £'000	2021 £'000
Wages and salaries	119	105

The average number of employees (including Directors) of the Group was:

	2022 Number	2021 Number
Management of investments	5	4

Further details of individual Directors' remuneration, pension fund and interests in the Company are shown in the table on page 22.

4. Income tax

There is no tax charge or credit for the current year. The tax assessed for the prior year is higher than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained as follows:

	2022 £'000	2021 £'000
Loss on ordinary activities before taxation	(341)	(422)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	(65)	(80)
Effect of:		
Disallowable items	20	35
Addition / (utilisation) of tax losses arising	45	45
Total tax charge/(credit)	—	—

The Group has unrecognised deferred tax assets of £1,504,000 (2021: £1,459,000) as a result of losses in the current year and prior periods carried forward of £8,018,000 (2021: £7,677,000).

5. Earnings per ordinary share

The earnings per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 419,822,048 ordinary shares of 0.1p. The 2022 loss per ordinary share is based on post consolidation number of shares in issue 41,982,204 ordinary shares of 0.1p. (2021: 35,107,204 ordinary shares of 0.1p adjusted for 2023 consolidation) and the following figures:

	2022	2021
Loss attributable to equity shareholders (£'000)	(341)	(422)
Loss per ordinary share	(0.8)p	(1.2)p

Diluted earnings per share is taken as equal to basic earnings per share as the Group's average share price during the period is lower than the exercise price of the share options and therefore the effect of including share options is anti-dilutive.

6. Investments

	Investments £'000
Cost	
At 1 January 2022	2,330
Additions	-
At 31 December 2022	2,330
Fair value movements	
At 1 January 2022	(1,315)
Fair value adjustment	(85)
At 31 December 2022	(1,400)
Fair value	
At 31 December 2022	930
At 31 December 2021	1,015

Drumz plc acquired its legacy investment in KCR Residential REIT plc at a price of £0.70 per share in 2018. The investment was classed as fair value through profit and loss in accordance with IFRS 9. The investment was valued downwards at the year-end in accordance with IFRS 13. The closing value at 31 December 2022 was £304,714.

Drumz plc acquired shares in Acuity Risk Management Limited in September 2020 and additional shares in September 2021. The value of this investment is shown at cost, £625,000. Although Drumz holds 25% of Acuity's shares the directors believe that Drumz does not exercise significant influence over Acuity; as such it does not need to be accounted for as an associate.

Fair value hierarchy

In accordance with IFRS 13, financial instruments are measured by level of the following fair value measurement hierarchy:

- Level 1: quoted prices in an active market for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the closing price on the last day of the financial year of the Group. These instruments are included in level 1 and comprise FTSE and AIM-listed investments classified as held at fair value through profit or loss.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between these classifications in the period (2021: none). The change in fair value for the current and previous years is recognised through profit or loss.

All assets held at fair value through profit or loss were designated as such upon initial recognition.

Movements in investments held at fair value through profit or loss are summarised as follows:

	Level 3 Equity investments £'000	Level 1 Equity investments £'000	Total investments £'000
Cost			
At 1 January 2022	625	1,705	2,330
Additions	-		-
At 31 December 2022	625	1,705	2,330
Fair value losses			
At 1 January 2022	—	(1,315)	(1,315)
Fair value adjustment	—	(85)	(85)
At 31 December 2022	—	(1,400)	(1,400)
Fair value			
At 31 December 2022	625	305	930
At 31 December 2021	625	390	1,015

Level 3 investments are held at fair value at the date of the Consolidated Financial Position with changes in value from cost being accounted for in the Consolidated Statement of Comprehensive Income.

Investments in the subsidiaries in the parent company are carried at £nil (2021: £nil). See notes 12 and 15 for details of subsidiary undertakings.

7. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Other debtors	122	23	122	23

In the opinion of the Directors, fair value is equal to carrying value.

8. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current				
Trade creditors	2	9	2	9
Other creditors and accruals	45	43	45	43
Total trade and other payables	47	52	47	52

In the opinion of the Directors, fair value is equal to carrying value.

9. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
419,822,048 (2021: 419,822,048) ordinary shares of 0.1p each	420	420
2,268,113,165 (2021: 2,268,113,165) deferred shares of 0.1p each	2,268	2,268
	2,688	2,688

	2022 Number	2022 £'000	2021 Number	2021 £'000
Ordinary shares				
At 1 January	419,822,048	420	344,822,048	345
Additions			75,000,000	75
At 31 December	419,822,048	420	419,822,048	420

On 24 April 2023 a resolution was approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10.

Deferred shares

In November 2022 at a General Meeting of the Ordinary Shareholders and at a separate Class Meeting of the Deferred Shareholders new Articles were approved. The new Articles have amended the rights of the deferred shares so on a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of shares) the surplus assets of the Company remaining after payment of its liabilities shall be applied (to the extent that the Company is lawfully permitted to do so), first in paying to the holders of the Deferred Shares, if any, a total of £1.00 for all of the Deferred Shares (which payment shall be deemed satisfied by payment to any one holder of Deferred Shares).

The other rights of the deferred shares are unaltered, they have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting but no right to vote thereat.

Share options and warrants

The Group operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. The share options in this scheme vest three years after the date of grant and have an exercise period of seven years. The options may only be exercised by option holders while they are still employees of the Group. If death in service occurs the options can be exercised (to the extent that they have vested) by the option holder's personal representatives within 12 months from the date of death. If an option holder ceases to be employed and the Directors deem the option holder to be a 'Good Leaver' the options can be exercised (to the extent that they have vested) within six months from the date of cessation of employment.

A reconciliation of option movements over the year ended 31 December 2022 is shown below:

	Number
Outstanding at 31 December 2021 and 31 December 2022	15,000,000

On 24 April 2023 a resolution was approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10.

At 31 December 2022 outstanding options granted over ordinary shares were as follows:

Share option scheme	Exercise price	Number	Dates exercisable
Company unapproved	0.65p	11,000,000	15 July 2020 to 14 July 2030
Company unapproved	0.55p	4,000,000	25 Nov 2020 to 24 Nov 2030

Further details on the share options can be found in the Remuneration Report on page 22.

The weighted average exercise price for the Group's options are as follows:

Options outstanding at 31 December 2022: 0.62p

Options exercisable at 31 December 2022: nil

The weighted average remaining contractual life of the share options outstanding at the end of the year is 7 years (2021: 8 years).

The Group has used the Black-Scholes formula to calculate the fair value of outstanding share options. The assumptions applied to the Black-Scholes formula for share options issued and the fair value per option are detailed in the table below for options issued. The charge calculated up to 31 December 2022 is £21,000 (2021: £30,000). Volatility was calculated using historical share price information for the six months prior to the date of grant.

	Unapproved share options 2020 grant
Date of grant	15 July 2020
Expected life of options based on options exercised to date	3 years
Volatility of share price	87%
Dividend yield	0%
Risk free interest rate	0.01%
Share price at date of grant	0.65p
Exercise price	0.65p
Fair value per option	0.46p

Date of grant	25 Nov 2020
Expected life of options based on options exercised to date	3 years
Volatility of share price	96%
Dividend yield	0%
Risk free interest rate	0.01%
Share price at date of grant	0.48p
Exercise price	0.55p
Fair value per option	0.35p

Warrants

The warrants over 75,000,000 ordinary shares of the Company with an exercise price of 1.0 pence per share issued in the year ended 31 December 2021, expired during the year.

10. Transactions with related parties

Group and Company

The key management personnel of the Company are considered to be the Directors.

Acuity Risk Management Limited, a company in which the Group owned 25% of the equity, owed £12,000 for unpaid management fees at the year end. Post the balance sheet date the Group acquired the whole of the share capital of Acuity. Further details are set out in note 15 to these financial statements and on the Company's website:

11. Financial instruments and risk profile

The Group's and Company's financial instruments comprise of its investment portfolio, cash balances, debtors and creditors that arise directly from its operations and derivative instruments. The Group and Company are exposed to risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the Group's operating activities.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Group and Company make investments for the long term. Accordingly, the Group and Company rarely trade investments in the short term. The Group currently has an investment in KCR Residential REIT plc. Although this is a traded investment it has limited liquidity.

Market price risk

The Group and Company are exposed to market price risk as shown by movements in the value of its equity investments. Any such risk is regularly monitored by the Directors.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Statement of financial position. The movement in the capital to overall financing ratio is shown below:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Equity	1,227	1,547	1,227	1,547
Less: cash and cash equivalents	(222)	(561)	(222)	(561)
Capital	1,005	986	1,005	986
Equity	1,227	1,547	1,227	1,547
Borrowings	—	—	—	—
Overall financing	1,227	1,547	1,227	1,547
Capital to overall financing	81.9%	63.7%	81.9%	63.7%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade and other receivables	122	23	122	23
Cash and cash equivalents	222	561	222	561
	344	584	344	584

The Directors consider that all the above financial assets are of reasonable quality. No amounts shown above are considered to be past their due date.

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as below:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current assets				
Trade and other receivables	122	23	122	23
Cash and cash equivalents	222	561	222	561
Financial assets at amortised cost	344	584	344	584
Fair value though profit and loss assets	930	1,015	930	1,015
Current liabilities				
Financial liabilities carried at amortised cost	47	52	47	52
Non-current liabilities				
Financial liabilities carried at amortised cost	—	—	—	—

The financial instruments held at fair value through profit or loss have been valued in accordance with the International Private Equity and Venture Capital Valuation guidelines. In the current year, these are determined by reference to quoted prices where there is an active market for identical assets or liabilities. Otherwise, the fair value is determined by using valuation techniques such as earnings multiples. There is no material difference between the carrying value and fair value of the Group's aggregate financial assets and liabilities.

Interest rate risk profile of financial liabilities

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Floating rate financial liabilities	—	—	—	—
Fixed rate financial liabilities	—	—	—	—
Financial liabilities on which no interest is paid	47	52	47	52
	47	52	47	52

Sensitivity analysis

The following table illustrates the sensitivity of loss and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible, based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Group

	Loss for the year		Equity	
	£000		£000	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2022	(344)	(338)	1,239	1,215
31 December 2021	(426)	(418)	1,562	1,532

Company

	Loss for the year		Equity	
	£000		£000	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2022	(344)	(338)	1,239	1,215
31 December 2021	(426)	(418)	1,562	1,532

12. Subsidiary undertakings

At 31 December 2022 the Group held 50% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
World Life Sciences Limited	England	Dormant	100%	Ordinary

The registered address of the subsidiary is the same as that of the parent company.

13. Company information

The Company is a Public Limited Company registered in England and Wales. The registered office is 2nd Floor, 80 Cheapside, London EC2V 6EE

14. Ultimate controlling party

The Directors believe that there is no overall controlling party of the Company.

15. Events after the balance sheet date

The Company announced on 5 April 2023 that it had conditionally agreed terms to acquire all the shares in Acuity Risk Management Limited ("Acuity") it did not already own. Acuity is a supplier of governance, risk and compliance software and services. Drumz then owned 25% of the issued share capital of Acuity and proposed to acquire the balance of the issued and to be issued share capital. The acquisition of the outstanding c.75% of Acuity was for a total consideration of approximately £3.6 million. The consideration was to be satisfied by the payment of £0.5 million in cash and the issue of 45,709,570 New Ordinary Shares at 6.75p per share. In addition, in order to settle the cash consideration of the acquisition and pay for the transaction costs the Company's Board organised a conditional placing and subscription to raise £1.45 million (before expenses) by the issue of 32,222,222 New Ordinary Shares at a price of 4.5 pence per New Ordinary Share. In addition certain advisers were issued with warrants over 2,159,999 New Ordinary Shares at 4.5p per share expiring on the third anniversary of Admission. This transaction was treated as a reverse takeover under the AIM Rules. The acquisition was approved by shareholders in a General Meeting on 24 April 2023 and Simon Marvell joined the Company's Board.

In connection with the transaction to acquire Acuity £78,000 professional costs were incurred during the year which have been treated as prepayments and will be recognised in the year to 31 December 2023.

On 24 April 2023 a resolution was also approved by shareholders in general meeting whereby the Ordinary shares were subject to a consolidation and subdivision effectively reducing the number of shares and share options by a factor of 10.

At the date of this report it is impracticable to disclose the provisional fair values of the total consideration paid and the acquired assets, liabilities, contingent liabilities and goodwill.

The goodwill that will be recognised is expected to capture synergies that will be achieved as an enlarged business, as well as intangible assets which do not qualify for separate recognition such as workforce. It is impracticable to conclude at the date of this report the total amount of goodwill which is expected to be deductible for tax purposes.

As this acquisition took place on 24 April 2023, the statement of comprehensive income does not include any revenue, profit or loss relating to the acquired Acuity business for the year ended 31 December 2022.

16. Contingent Liabilities

In connection with the transaction to acquire Acuity, £78,000 of professional costs were incurred during the year which are included as an asset in the balance sheet at 31 December 2022, subject to the successful acquisition of Acuity in 2023. It is anticipated that further costs of £575,000 for this acquisition will be incurred in 2023, which have not been provided for in these financial statements.

Drumz plc

Additional Information

Advisers and Key Services Providers

Directors	Simon Bennett (Chairman) Angus Forrest (Chief Executive) Nick Clark (appointed 7 June 2022) Simon Marvell (appointed 24 April 2023) John Wakefield
Company Secretary	Marie-Claire Haines
Registered Office	2nd Floor, 80 Cheapside London EC2V 6EE
Company's Registered number	298654
Website	www.drumzplc.com
Auditors	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Nominated Advisor and Joint Broker	W H Ireland 24 Martin Lane London EC4R 0DR
Joint broker	Peterhouse Capital Limited 80 Cheapside London EC2V 6EE
Registrars	Neville Registrars Limited Steelpark Road Halesowen B62 8HD Tel. 0121 585 1131
Bankers	Barclays Bank Fourth Floor, Apex Plaza Forbury Road Reading RG1 1AX
Corporate Lawyers	Marriott Harrison 80 Cheapside London EC2V 6EE