



Building Value in Technology

Drumz plc

Report and Accounts

For the year ended

31 December 2020

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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 2020.

On 30 June 2020 shareholders approved changes to the Company's strategic direction from a company, which had principally invested in real estate to one focused on the technology sector. Simultaneously there were a number of Board changes with Angus Forrest, John Wakefield and I being appointed and Stephen Wicks and John Depasquale stepping down. I would like to thank Stephen and John for their stewardship and collective contributions to the Company over the past few years.

Results and performance

The Group's results for the year ended 31 December 2020 showed revenues of £12,000 (2019: £2,000) and an operating loss of £149,000 (2019: profit £43,000).

At 30 June the principal asset of the Group was 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 has been disappointing over the year and the value of the KCR holding has declined from £1,181,000 to £573,000, equating to an unrealised loss of £608,000. I am also disappointed to report that the KCR share price has fallen further since the year end.

During the period under review Drumz made its first investment in Acuity Risk Management Limited ("Acuity"), an award winning business, specialising in risk management for cybersecurity. Acuity's proprietary software platform STREAM™ provides its blue chip customer base on a SaaS basis, with a comprehensive view of risk and compliance on an enterprise wide basis. Drumz has invested £500,000 in cash for an initial 20 per cent. shareholding in Acuity and has an option to acquire an additional 5 per cent. shareholding for a further £125,000. Further details on the progress achieved by Acuity is in the CEO report and Investment report.

Therefore, the overall results of the Group for the year ended 31 December 2020, as set out on pages 28 to 34, show a loss before taxation of £757,000 (2019: loss of £72,000), of which £608,000 (2019: £134,000) was due to the fall in value of the Group's investment in KCR. The shareholders' funds have increased to £1,518,000 (2019: £1,204,000), principally as a result of the two separate fund raisings undertaken by the Company in July and October 2020.

New investment Policy

The Company's new investment policy is to invest principally, but not exclusively in the technology sector in Europe. The Directors consider that there are opportunities to invest in and acquire established technology businesses which own their own intellectual property and improve them through a combination of the management skills and expertise available from Drumz and further investment capital as required.

Whilst it is not possible to be entirely prescriptive, it is likely that the opportunities would generally have some or all of the following characteristics, namely:

- Established business
- Software is proven and a key tool for users
- SaaS ("Software as a Service") business model
- Significant B2B market opportunity

Macroeconomic impacts

During the current period there have been two major macroeconomic factors which have impacted the economy, namely:

- Brexit – as regulations change with Britain's withdrawal from the EU, the software industry, particularly those selling on a SaaS basis, appear at present to be relatively unaffected by this new environment and

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- COVID-19 – this global pandemic has had a major impact on the world economy and the ways in which people work. On the positive side, the software industry lends itself well to employees working effectively from remote locations, but the broader impact of the pandemic on global demand remains uncertain. At Acuity, there was a decline in new business sales in the second quarter of its financial year, after the first lockdown announced by the UK Government, but since then new business has picked up strongly.

Outlook

The first phase of the planned change programme at Acuity, with a complete overhaul of its commercial infrastructure and strengthening of the sales and marketing operations has now been completed. The Board believe that the benefits of the actions already taken will be seen over the coming months. We are now considering several new investment opportunities. I would like to welcome all new shareholders and thank all shareholders for their continuing support. I should also like to thank my colleagues and our advisors for their respective contributions and look forward to further progress in the current financial year.

Simon Bennett

Chairman

20 May 2021

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Chief Executive's Report

The six-month period following the 2020 AGM, when shareholders approved changes to the business to focus on the technology sector, was one of change as your Company transitioned and made its first technology investment. In that time changes have been made to the Board of directors, a pipeline of technology investment opportunities has been generated and a new corporate name has been adopted.

Our strategy

Drumz's strategy is to invest, predominantly but not exclusively in the technology sector, to achieve capital growth in the medium term, three to five years. We invest in operating companies whose activities include the sale of software or the use of software. The Board seeks to make investments where the associated risks are acceptable given the expertise available to the Company.

Our business model

Our business model is to identify established software companies with potential, that we can acquire or invest in and which would benefit from our expertise in order to exploit their market opportunity and thereby transform value. The skills and experience we inject, mainly relate to commercial, sales and marketing activities. Our objective is to transform the value of our investments by increasing growth rates and scale. Having achieved these goals the Company will determine whether the investee companies should be retained or whether their value can be realised by way of a trade sale or Initial Public Offering ("IPO").

By acquiring established businesses whose software is valuable to its customers, Drumz is investing in businesses with a validated product / service so should be able to accelerate growth and value faster than for earlier stage companies, whilst being better able to identify and manage the associated risks.

Our business model is designed to allow all parties to benefit. It is achieved by investing in opportunities where the Board sees growth and if necessary, can provide expertise and assistance to management to accelerate growth and drive scale, two of the principal drivers of value for potential buyers.

In a typical scenario:

- Year 1: Initial review with key changes identified, and actions taken to set the foundations (business model, pricing, marketing, sales channels, partners);
- Year 2: Build on the initial changes with any necessary refinements and implementation of business drivers; and
- Year 3: Continue to accelerate growth (by this stage the business will be bigger and is likely to be growing at a far faster rate than previously)

Investments and Portfolio update

Acuity Risk Management

This 15 year old company has developed a software platform which is used for risk management mainly for cybersecurity, but which also has the flexibility to be adapted for management of other risks including supplier management or health and safety. Acuity has won awards for its principal product STREAM™ which has a 5-star rating in Gartner's 2021 Peer Insights review of recent software buyers and has won a five star rating for five consecutive years from leading security trade journal, SC MEDIA. The product is in use by Acuity's customers in the UK, Europe and the United States.

There has been considerable progress at Acuity in the time Drumz has been involved and some of the resulting contract wins have been announced on the Stock Exchange's Reach News Service. All sales are now made on a SaaS basis with improved commercial terms and new pricing structures, which has substantially improved the company's recurring revenues and average order values. A new digital marketing agency is generating increased and

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better quality sales leads which are then fed into the sales team, which has been grown over the past year to increase total sales capacity. These measures are beginning to show benefits through faster rates of growth in both the numbers and value of orders and we look forward to continuing to work with Acuity to build on these foundations.

The biggest impact of COVID-19 on Acuity was felt in the quarter July to September 2020, when the Company found it difficult to persuade customers to commit to new orders. However, since then, demand has recovered and continued to build in subsequent quarters. The increasing likelihood and impact of cyber attacks and consequently the relative importance of cyber security give the Board confidence to believe that the demand for Acuity's services will continue to grow.

KCR Residential REIT

KCR is a legacy investment which owns a portfolio, mostly properties, which comprise residential and retirement flats. Whilst Savills reported the UK housing market performed strongly in 2020 and Nationwide reported growth in transaction numbers (13%) and annual price growth of 7.3 per cent, it is disappointing that the share price has declined over the second six months of 2020 and subsequently, such that it is now at a level which represents a discount of more than 50% to net asset value.

Summary and Outlook

In 2020 we achieved the requisite changes at Drumz and began the process of making the transformation necessary to drive value enhancement at Acuity, which is now attracting considerable interest. This demonstrates that our strategy is working and we continue to review a number of other possible investment opportunities.

Angus Forrest
Chief Executive

20 May 2021

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Investment Strategy

Drumz offers its shareholders the opportunity to participate in the success of technology companies in which it invests, principally by capital growth.

Rationale

There are many software companies in the technology sector with a great product, but which lack the necessary resources to fully exploit the market opportunity. Drumz is looking to invest in such companies to drive the growth of these businesses over a two to three year period, thereby transforming their value. Once this has been accomplished the decision will be taken whether to retain, IPO or sell the investment to a trade buyer. It is anticipated that this process will be a virtuous circle, whereby the vendors obtain more for their business, the buyers acquire larger businesses with a proven track record growth path and Drumz makes a substantial return.

Criteria:

- The product is supplied as a standard and contains proprietary intellectual property rights, whether know-how, patents, or other sustainable barriers to entry
- The product is sold in a B2B market and addresses 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

Rationale for opportunity:

- The company has not been able to fully exploit its market opportunity
- The skills of the management team can be augmented by Drumz expertise to improve growth rates and scale, through strategic, commercial, sales and marketing inputs
- Additional finance (working and expansion capital) may be required

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.

The Directors believe that the Company can invest in and acquire technology businesses, improve them by a combination of new management expertise and investment then retain for further growth or realise the value created.

The Company is seeking investment opportunities, which can be developed through the introduction of expertise and investment of funds to facilitate the changes. These opportunities would generally have some or all of the following characteristics, namely:

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- a majority of their revenue derived from technology or the use of technology which the Directors believe is strongly positioned to benefit from market growth;
- a trading history which reflects past profitability and potential for significant capital growth; and
- It is anticipated that the main driver of success for the Company will be the expertise that can be provided by the Directors to the management of the investee companies and the value that can be created and realised.

The Company's investments may take the form of equity, debt or convertible instruments. Investments may be made in all types of assets falling within the remit of the Investing Policy and there will be no investment restrictions. Proposed investments may be made in either quoted or unquoted companies and structured as a direct acquisition, joint venture or as an interest in a project. The Directors may consider it appropriate to take an equity interest in any proposed investment, which may range from a minority position to 100 per cent ownership.

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Investment Report

Acuity Risk Management Limited (“Acuity”)

Acuity	Software for risk management	Date of investment September 2020
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Equity ownership 20% with an option for a further 5%
for a further £125,000

Fair value:	Cost: £500,000	Valuation: £500,000
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Valuation is based on cost supported by several other factors including trading forecasts.

Acuity’s proprietary software platform STREAM™, provides its blue chip customer base on a Software as a Service basis (“SaaS”), with a comprehensive view of risk and compliance on an enterprise wide basis. Most customers use their software to manage their cybersecurity risks, but it can be configured to manage 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 in the speed of its deployment and the comprehensiveness of the solution. Acuity was founded by a team who had previously built and sold a consultancy business specialising in cyber security which was acquired by 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 FTSE 100 companies, government departments and other international organisations.

Since Drumz’s involvement, there has been a greater focus on commercialising Acuity’s product. This has resulted in an increase in average sales order values, higher recurring revenues, closer engagement with customers and a growing sales pipeline. Drumz’s investment in the company has allowed a further investment to be made in Acuity’s salesforce.

In January 2021, Acuity launched a new enterprise version of STREAM™. 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 cheaper deployment for the end user. Additionally, STREAM™ is now 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.

Over the year to 31 March 2021 Acuity’s performance based on unaudited selected KPIs:

Year to 31 March	2021	2020	% increase
Renewal rate	81%	79%	
SaaS orders won first year value	£1,225,000	£966,000	27%
Future contracted revenues	£2,180,000	£1,109,000	97%
Value of sales pipeline at y/e	£1,549,000	£348,000	345%

The trends show improvement in all KPIs relating to commercial performance and the measures relating to the future, e.g. sales pipeline and future contracted revenues show the greatest growth.

For more information www.acuityrm.com

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KCR REIT plc (“KCR”)

KCR	Residential property fund	Date of investment 2018
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Equity ownership

Fair value:	Valuation: £573,000	Cost: £1,705,000
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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 reflect the additional fall in the value of the Company's investment in KCR and the additional funds raised in October 2020. These indicators are monitored by the Board and the details of performance against these are given below.

	2020	2019
Net assets	£1,518,000	£1,204,000
Net assets per ordinary share	0.44p	0.97p

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Principal Risks and Uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks. The Directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks.

The Group operates a system of internal control and risk management 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. Progress of development is slower than expected. Cost of change may be higher than budget. Investee management may not perform. Portfolio valuation is focused on one or two investments.	Investment may need additional funding. Value creation may be delayed and there may be difficulty in realising the investment. The value of the investment may fall. If an investment fails it will have a material impact on the net assets of the Company.	The Company carries out due diligence before making investments. A Company Director monitors performance and where Drumz owns more than 10% it appoints a director. Drumz focuses investment in sectors where it has expertise and investee companies' plans are developed in conjunction with Drumz. 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 two 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	UK exit from the European Union (EU).	Exit from EU may impact on performance of investee companies which export to or import from the EU. Regulation may alter the Company's ability to raise new funds.	The investee companies seek regular updates on matters which may impact the legal framework within which it trades. 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 Drumz plc, 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 ensure we govern effectively in order to 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 2018.

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 Drumz PLC with a practical and rigorous corporate governance framework to support this strategy and the Company's success.

Simon Bennett

Chairman

20 May 2021

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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.

Simon established Incremental Capital LLP in 2004 to provide corporate finance advice to mid and small cap companies. He is also a partner at Glenmill Partners which provides impartial advice to entrepreneurs and growing companies.

Further, Simon is non-executive Chairman of Inland Homes plc, the AIM listed brownfield site developer and housebuilder 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, Inland Homes and Kwalee. Simon was a non-executive director and chairman of Billam plc / Energiser Investments plc (now Drumz plc) from 2005 to 2013.

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 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).

Nishith Malde

Non-executive Director

Nish qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner-managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for Country & Metropolitan plc. Nish joined Country & Metropolitan plc as finance director and company secretary in November 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development (which included acquisitions and disposals) until it was acquired by Gladedale Holdings plc in April 2005. He is a founding shareholder and group finance director of Inland Homes plc which floated on AIM in April 2007 and is also a non-executive director of Troy Homes Ltd, a premium housebuilder.

Nish is a member of the Audit and Remuneration Committees.

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 a number of private companies.

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

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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 current Directors of the Company are Simon Bennett, the non-executive Chairman of the Company, Angus Forrest, Chief Executive and Nish Malde and John Wakefield, non-executive directors. 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 11 and on our website www.drumzplc.com

Board and Committee attendance

During the year, the Board held four 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 ²	3	1	2
John Depasquale ¹	1	1	
Angus Forrest ²	3		
Nish Malde	4	2	2
John Wakefield ²	3	1	2
Stephen Wicks ¹	1	1	

¹. John Depasquale and Stephen Wicks resigned as directors on 30 June 2020.

². Simon Bennett, Angus Forrest and John Wakefield were appointed to the Board on 30 June 2020.

³. There was one scheduled Board Meeting in the six months to 30 June 2020 and three in the period 30 June to 31 December 2020.

⁴. Additional Board meetings in the six months to 31 December 2020, there were two meetings one to approve options, one to approve making an investment.

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 consider 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.

Company Secretary

Kathryn Worth resigned as Company Secretary on 1 February 2021 and Marie-Claire Haines was appointed Company Secretary on the same day.

Board activities in the year to 31 December 2020

The following table 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

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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 its decisions and policies on key stakeholder groups.

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 investments to which the Company has exposure
- 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 their own 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.
 - 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 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 impactStakeholder 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
Approval of proposal to change the investment policy to technology investments	L, C, S, I	Board recommendation to shareholders for consideration and approval Employees / Community ensuring an ethical and sustainable

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Matters considered by the Board in the year

Shareholder impactStakeholder and s172 Companies Act

		approach
<i>Financial</i>		
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	
<i>Internal controls and risk management</i>		
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.
<i>Governance</i>		
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 C	

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

Our 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 18 June 2021.

Governance

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Audit Committee Report

for the year ended 31 December 2020

Chairman's introduction

It gives me great pleasure to introduce the Audit Committee report on behalf of the Audit Committee (the "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 2020.

Since the year end, the Committee has carried out a review of external audit services being provided to the Company and recommended to the Board that PKF Littlejohn LLP be appointed auditors. The recommendation was adopted by the Board and we are pleased to be proposing the appointment of PKF Littlejohn LLP as the Company's Auditor at this year's AGM. The Committee would like to thank UHY Hacker Young LLP for their services to the Group and their support to the Committee.

Simon Bennett

Audit Committee Chairman

20 May 2021

The role and duties of the 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 are made by the Board, having been deemed to have the appropriate skills and experience, Simon Bennett and Nish Malde have 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 12.

As at the date of this report, the members of the Audit Committee, all of whom held office throughout the year and to the date of this report unless otherwise stated, are:

Governance

Drumz plc

Activities of the Committee

Areas of focus	Activities during the year ended 31 December 2020
Financial Statements and narrative reporting	<ul style="list-style-type: none">• Reviewing the financial statements and narrative reporting in the Annual Report and Accounts for 2020• Consideration of reports from the external auditor in respect of the Annual Report and Accounts for 2020
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.

Governance

Drumz plc

Remuneration Report

for the year ended 31 December 2020

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.

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

	Salary/fees	Salary/fees waived	Total	Total
	2020	2020	2020	2019
	£'000	£'000	£'000	£'000
Executive				
A Forrest	25	–	25	–
Non-executive				
N Malde	27	(19)	8	–
S Wicks	7	(7)	–	–
J Depasquale	6	–	6	12
S Bennett	12	–	12	–
J Wakefield	8	–	8	–
	85	(26)	59	12

John Depasquale and Stephen Wicks resigned on 30 June 2020.

Simon Bennett, Angus Forrest and John Wakefield were appointed on 30 June 2020.

The Directors have waived £26,000 of remuneration in the year to 31 December 2020. During 2019, salary of £117,000 accrued in respect of a former director was reversed as it was not payable.

There were no contributions to money purchase or other pension schemes in the year (2019 £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.

Angus Forrest has a notice period of six months.

Governance

Drumz plc

Company Share Option Plans

There were two share option grants during the year. All share options are part of a Company Unapproved scheme. 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.

Directors hold the following options over shares in the Company:

	31 December 2020	31 December 2019
N Malde	2,000,000	3,050,000
S Bennett	4,000,000	—
A Forrest	8,000,000	—
J Wakefield	1,000,000	—

On 15 July 2020 Mr Malde surrendered his historic share options (3,050,000 options over Ordinary Shares at an exercise price of 2 pence per share exercisable at any time until 3 October 2026).

Other than shown above, no Director held any interest in the shares of the Company or any of its subsidiaries at 31 December 2020.

ON BEHALF OF THE BOARD

John Wakefield

Chairman of the Remuneration Committee

20 May 2021

Governance

Drumz plc

Director's Report

for the year ended 31 December 2020

The Directors have pleasure in submitting their report, together with the financial statements of the Group and Company, for the year ended 31 December 2020.

Principal activity

Drumz is building a software group, investing in technology companies, which offer value creation opportunities over the short and 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 2020 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 11.

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 2020 ordinary shares of 0.1p	As at 31 December 2019 ordinary shares of 0.1p
Stephen Wicks ¹ (resigned 30 June 2020)	35,289,930	35,289,930
John Depasquale (resigned 30 June 2020)	—	—
Simon Bennett	—	—
Angus Forrest ²	29,893,921	1,257,558
John Wakefield	—	—
Nishith Malde ³	12,689,964	12,689,964

¹ The beneficial holding of Stephen Wicks comprises his direct shareholding of 28,558,855 shares and an interest in 6,731,075 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 38.74%. Stephen resigned from the Board of Drumz on 30 June 2020. Stephen's holding did not change in the year.

² The beneficial holding of Nishith Malde comprises his direct shareholding of 11,230,464 shares and an interest of 1,459,500 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 8.4%.

³ Angus Forest's interest in shares includes those held by his pension fund.

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.

Governance

Drumz plc

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 22. 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, and 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 the decision under review.

Governance

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Significant shareholdings

According to the Company's register of substantial shareholdings as at 20 May 2021 the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital. The Directors holdings are shown on page 19.

	Number of shares	%
BrightGrow SSAS	38,000,000	11.0
Nick Clark	18,500,000	5.3
Highlands Village Limited	17,375,000	5.0
Neil Scott	14,000,000	4.1
William Barbour	13,850,000	4.0

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.

Post balance sheet event

As referred to in the going concern section of the principal accounting policies, we continue to monitor the situation concerning COVID-19 pandemic and any impact it may have on the Group and Company.

Governance

Drumz plc

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 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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, international accounting standards in accordance with the requirements of the Companies Act 2006 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

20 May 2021

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Drumz plc

Financial Statements

for the year ended 31 December 2020

Independent Auditors 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 2020 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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's and parent company's ability to continue to adopt the going concern basis of accounting included a review of the cash forecasts for the next 18 months from the date of the approval of these financial statements. We have also performed a review of events subsequent to the year end to ensure that there are no events which would affect the group's ability to continue as a going concern.

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.

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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 materiality for the financial statements as a whole applied to the group financial statements was £60,780, based on 4% of net assets, because we believe net assets to be the main performance indicator of the business as the group is in the investment industry and no significant revenues are currently being generated. The performance materiality for the group was £42,540. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

The materiality for the financial statements as a whole applied to the parent company financial statements was £38,840, based on 4% of net assets. The performance materiality for the parent company was £27,180.

We agreed with the audit committee that we would report to the committee all differences identified during the course of our audit in excess of £3,039 for the group and £3,035 for the parent company.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

There was only one significant component identified, which was subject to a full scope audit conducted directly by PKF Littlejohn LLP. The consolidation of all the components was audited. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the financial statements.

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.

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Drumz plc

Key Audit Matter	How our scope addressed this matter
Valuation of Investments (refer to note 6)	
<p>The group holds investments with a carrying value of £1,073,000 as at 31 December 2020 which comprises 68% of the group's total assets.</p> <p>The group holds two investments;</p> <ul style="list-style-type: none">• An equity investment in a company listed on the London AIM measured at fair value through profit or loss; and• An unlisted investment measured at cost. <p>The directors are required to use their judgement in respect of the unlisted investment to assess the fair value.</p> <p>We have assessed this area to be a key audit matter because of the financial significance of the investments to the group and the need for judgement in assessing fair value.</p>	<p>Our work included:</p> <ul style="list-style-type: none">• A review of the appropriateness of the basis for valuation applied in accordance with IFRS 13;• Obtaining evidence to confirm the ownership of the investments;• Obtaining and challenging the directors impairment considerations; and• A review of the disclosures in the financial statements for compliance with IFRS. <p><u>Key observations</u></p> <p>The fair value of KCR Residential REIT Plc was recalculated using the share price and the number of shares held in the investment.</p> <p>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 2020. We consider the basis for valuation to be appropriate as at 31 December 2020.</p>

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.

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Drumz plc

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

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 industry research, 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 IFRS accounting standards and AIM rules.
- 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 specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- 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, whether key accounting estimates and judgements made by management are appropriate and accurately disclosed. We address these risks by challenging the assumptions and judgements made by management when auditing significant accounting estimates.
- 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 and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.

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

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Drumz plc

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

Mark Ling (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

20 May 2021

15 Westferry Circus

Canary Wharf

London E14 4HD

Financial Statements

Drumz plc

Group statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<i>Continuing operations</i>			
Revenue		12	2
Cost of sales		—	—
Gross profit		12	2
Reversal of accrued remuneration for former director	3	—	117
Administrative expenses		(161)	(76)
Operating profit/(loss)	2	(149)	43
Loss on investments	6	(608)	(134)
Recovery of bad debt written off in previous periods		—	19
Loss before taxation		(757)	(72)
Taxation	4	—	—
Loss for the year attributable to shareholders of the parent company		(757)	(72)
Total comprehensive income for the year attributable to shareholders of the parent company		(757)	(72)
Earnings per share			
Basic and diluted earnings per share from total and continuing operations	5	(0.36)p	(0.06)p

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

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Drumz plc

Group statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6	1,073	1,181
		1,073	1,181
Current assets			
Trade and other receivables	7	14	5
Cash and cash equivalents		491	96
		505	101
Total assets		1,578	1,282
LIABILITIES			
Current liabilities			
Trade and other payables	8	60	78
Total liabilities		60	78
Net assets		1,518	1,204
EQUITY			
Share capital	9	2,613	2,392
Share premium		8,039	7,189
Convertible loan		88	88
Merger reserve		1,012	1,012
Retained earnings		(10,234)	(9,477)
Total equity		1,518	1,204

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 20 May 2021.

Angus Forrest
Director

Simon Bennett
Non-executive Chairman

Company Number
00298654

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

Financial Statements

Drumz plc

Company statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6	1,073	1,181
		1,073	1,181
Current assets			
Trade and other receivables	7	13	1,275
Cash and cash equivalents		491	70
		504	1,345
Total assets		1,577	2,526
LIABILITIES			
Current liabilities			
Trade and other payables		59	1,812
Total liabilities	8	59	1,812
Net assets		1,518	714
EQUITY			
Share capital	9	2,613	2,392
Share premium		8,039	7,189
Convertible loan		88	88
Merger reserve		1,012	1,012
Retained earnings		(10,234)	(9,967)
Total equity		1,518	714

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 £267,000 (31 December 2019: £206,000).

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2021.

Angus Forrest
Director

Simon Bennett
Non-executive Chairman

Company Number
00298654

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

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Drumz plc

Group statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	2,392	7,189	88	1,012	(9,405)	1,276
Total comprehensive income	—	—	—	—	(72)	(72)
Balance at 31 December 2019	2,392	7,189	88	1,012	(9,477)	1,204
Balance at 1 January 2020	2,392	7,189	88	1,012	(9,477)	1,204
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	221	850	—	—	—	1,071
	221	850	—	—	—	1,071
Total comprehensive income	—	—	—	—	(757)	(757)
Balance at 31 December 2020	2,613	8,039	88	1,012	(10,234)	1,518

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

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Company statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	2,392	7,189	88	1,012	(9,405)	1,276
Total comprehensive income	—	—	—	—	(72)	(72)
Balance at 31 December 2019	2,392	7,189	88	1,012	(9,477)	1,204
Balance at 1 January 2020	2,392	7,189	88	1,012	(9,477)	1,204
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	221	850	—	—	—	1,071
	221	850	—	—	—	1,071
Total comprehensive income	—	—	—	—	(757)	(757)
Balance at 31 December 2020	2,613	8,039	88	1,012	(10,234)	1,518

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

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Group statement of cash flows

for the year ended 31 December 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(757)	(72)
Adjustments for:		
Fair value adjustment for listed investments	608	134
(Increase) / Decrease in trade and other receivables	(2)	3
(Decrease) / increase in trade and other payables	(25)	(146)
Net cash used in operating activities	(176)	(81)
Cash flows from investing activities		
Purchase of investments	(500)	—
Cash flows from financing activities		
Cash raised through issue of shares (net of transaction costs)	1,071	—
Net decrease in cash and cash equivalents	(395)	(81)
Cash and cash equivalents at beginning of financial year	96	177
Cash and cash equivalents at end of financial year	491	96

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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 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(268)	(89)
Adjustments for:		
Fair value adjustment for listed investments	608	134
Decrease in trade and other receivables	1,268	2
Decrease in trade and other payables	(1,758)	(133)
Net cash used in operating activities	(150)	(86)
Cash flows from investing activities		
Purchase of investments	(500)	—
Net cash used by investing activities	(500)	—
Cash flows from financing activities		
Cash raised through issue of shares (net of transaction costs)	1,071	
Net increase (decrease) in cash and cash equivalents	421	(86)
Cash and cash equivalents at beginning of financial year	70	156
Cash and cash equivalents at end of financial year	491	70

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

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Drumz plc

Principal accounting policies

for the year ended 31 December 2020

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 and domiciled in England and Wales. The address of the registered office is Burnham Yard, London End, Beaconsfield, HP9 2JH.

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 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 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 without any additional working capital financing requirement.

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 2020 that had a significant effect on the Group's or Company's financial statements. These include:

- IFRS 3 – (Amendments) Business combinations – definition of a business
- IAS 1 and IAS 8 (Amendments) Definition of material; and
- Conceptual Framework – Amendments to references to the conceptual framework in IFRS Standards

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 IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2022)
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)

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- 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 IAS 8: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (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 2020. 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.

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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 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 page 7.

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.
- **Convertible loan** represents the equity element of a convertible loan which has now been settled.
- **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

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- **Revaluation reserve** represents the excess of the current and probable future value of an asset over the recorded historic cost of that asset.

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.

The Company holds an option in respect of the unlisted investment to acquire an additional 5% shareholding for £125,000. The Directors have assessed the valuation of the option taking into account the intrinsic value, the time value of money and applied a discount taking into account the liquidity of the investee's shares. The Directors, on the basis of their assessment, consider the value of the option to be immaterial.

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. These assumptions 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 immaterial and therefore has not been recognised as an expense.

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Notes to the Financial Statements

for the year ended 31 December 2020

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

	2020	2019
	£'000	£'000
Segment result		
Operating income	12	—
Investment activities:		
Reversal of accrued remuneration for former director	—	117
Administrative expenses	(161)	(76)
	(149)	(41)
Rental activities:		
Net rental income	—	2
	—	2
Operating loss/profit	(149)	43
Loss in value of quoted investment	(608)	(134)
Recovery of bad debt written off in previous periods	—	19
Loss before tax	(757)	(72)
	2020	2019
	£'000	£'000
Segment assets		
Investment activities:		
Non-current assets – investment	1,073	1,181
Other	505	101
Total assets	1,578	1,282

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	2020	2019
	£'000	£'000
Segment liabilities		
Investment activities:		
Current liabilities	60	78
Total liabilities	60	78
Total assets less total liabilities	1,518	1,204

The activity of investments arose wholly in the United Kingdom.

2. Operating profit / (loss)

Operating profit / (loss) is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration for:		
Audit services		
– audit of the Group's and Company's annual accounts	12	7
– audit of subsidiaries pursuant to legislation	3	3

3. Directors and employees

Staff costs during the year were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	59	12

In the year to 31 December 2019 salary of £117,000 accrued in respect of a former director was reversed as it is no longer due.

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

	2020	2019
	Number	Number
Management of investments	4	3

Further details of individual Directors' remuneration, pension fund and interests in the Company are shown in the table on page 17.

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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% (2019: 19%). The differences are explained as follows:

	2020	2019
	£'000	£'000
Loss on ordinary activities before taxation	(757)	(72)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	(144)	(14)
Effect of:		
Disallowable items	116	3
Addition / (utilisation) of tax losses arising	28	11
Total tax charge/(credit)	—	—

The Group has unrecognised deferred tax assets of £1,477,000 (2019: £1,449,000) as a result of losses in the current year and prior periods carried forward of £7,777,000 (2019: £7,628,000).

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 210,083,568 ordinary shares of 0.1p (2019: 123,912,957 ordinary shares of 0.1p) and the following figures:

	2020	2019
Loss attributable to equity shareholders (£'000)	(757)	(72)
Loss per ordinary share	(0.36)p	(0.06)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.

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6. Investments

	Investment £'000
Cost	
At 1 January 2020	1,705
Additions	500
At 31 December 2020	2,205
Fair value movements	
At 1 January 2020	(524)
Fair value adjustment	(608)
At 31 December 2020	(1,132)
Fair value	
At 31 December 2020	1,073
At 31 December 2019	1,181

Drumz plc acquired shares 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 2020 was £573,000.

Drumz plc acquired shares in Acuity Risk Management Limited in September 2020. The value of this investment is shown at cost, £500,000. As part of the investment, the agreement also contained an option to invest a further £125,000 for 5%. The directors consider the value of this option to be immaterial.

Fair value hierarchy

In accordance with IFRS 7, 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 (2019: 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.

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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 2020	–	1,705	1,705
Additions	500	–	–
At 31 December 2020	500	1,705	2,205
Fair value losses			
At 1 January 2020	–	(524)	(524)
Fair value adjustment	–	(608)	(608)
At 31 December 2020	–	(1,132)	(1,132)
Fair value			
At 31 December 2020	500	573	1,073
At 31 December 2019	–	1,181	1,181

Investments in the subsidiaries in the parent company are carried at £nil (2019: £nil). See note 12 for details of subsidiary undertakings.

7. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Other debtors	14	5	13	1,275

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

8. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current				
Trade creditors	12	8	12	8
Amounts owed to subsidiary undertakings	–	–	-	1,734
Other creditors and accruals	48	70	47	70
Total trade and other payables	60	78	59	1,812

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

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9. Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
344,821,957 (2019: 123,912,957) ordinary shares of 0.1p each	345	124
2,268,113,165 (2019: 2,268,113,165) deferred shares of 0.1p each	2,268	2,268
	2,613	2,392

	2020	2020	2019	2019
	Number	£'000	Number	£'000
Ordinary shares				
At 1 January 2020	123,912,957	124	123,912,957	124
Additions	220,909,091	221	—	—
At 31 December 2020	344,822,048	345	123,912,957	124

On 1 July the Company issued 130,000,000 new Ordinary shares of 0.1p at 0.5p per share to raise approximately £650,000 before expenses; and on 1 October it issued a further 90,909,091 new Ordinary shares at 0.55p to raise a further £500,000 before expenses.

Deferred shares

The deferred shares 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; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

Share option scheme

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.

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A reconciliation of option movements over the year ended 31 December 2020 is shown below:

	Number	Exercise price
Outstanding at 31 December 2019	6,100,000	
Lapsed during the year	(6,100,000)	2.00p
Granted on 15 July 2020	11,000,000	0.65p
Granted on 25 November 2020	4,000,000	0.55p
Outstanding at 31 December 2020	15,000,000	

At 31 December 2020 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 18.

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

Options issued during the year:	0.62p
Options forfeited/lapsed during the year:	2.0p
Options outstanding at 31 December 2020:	0.62p
Options exercisable at 31 December 2020:	nil

The weighted average remaining contractual life of the share options outstanding at the end of the year is 9 years (2019: 4 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 in the year. The charge calculated up to 31 December 2020 is immaterial and has not been recognised as an expense (2019: £nil). 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

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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

10. Transactions with related parties

Group and Company

Highlands Village Limited, a company in which S D Wicks and N Malde are both Directors and shareholders holds 17,375,000 ordinary shares.

The Company owed £26,054 to Highlands Village Ltd at the year end in respect of interest accrued in previous years.

Company

Cedar Green Homes Limited, Energiser (Nominee) Limited and Development Funding Limited are wholly owned subsidiaries of Drumz plc. Balances between Drumz Plc and its subsidiary undertakings are shown in note 8. During the year intercompany balances were cleared through the issue of dividends to the parent company.

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

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. As this is a traded investment it is deemed liquid.

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 would be 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:

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	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Equity	1,518	1,204	1,518	714
Less: cash and cash equivalents	(491)	(96)	(491)	(70)
Capital	1,027	1,108	1,027	644
Equity	1,518	1,204	1,518	714
Borrowings	—	—	—	—
Overall financing	1,518	1,204	1,518	714
Capital to overall financing	67.7%	92.0%	67.7%	90.2%

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade and other receivables	14	5	13	1,275
Cash and cash equivalents	491	96	491	70
	505	101	504	1,345

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.

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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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current assets				
Trade and other receivables	14	5	13	1,275
Cash and cash equivalents	491	96	491	70
Financial assets at amortised cost	505	101	504	1,345
Fair value through profit and loss assets	1,073	1,181	1,073	1,181
Current liabilities				
Financial liabilities carried at amortised cost	60	78	59	1,812
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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Floating rate financial liabilities	—	—	—	—
Fixed rate financial liabilities	—	—	—	—
Financial liabilities on which no interest is paid	60	78	59	1,812
	60	78	59	1,812

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.

Financial Statements

Drumz plc

Group	Loss for the year		Equity	
	£000		£000	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2020	(766)	(750)	1,533	1,503
31 December 2019	(73)	(71)	1,216	1,192

Company	Loss for the year		Equity	
	£000		£000	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2020	(766)	(750)	1,533	1,503
31 December 2019	(90)	(88)	721	707

12. Subsidiary undertakings

At 31 December 2020 Drumz plc 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
Urco Limited	England	Dormant	100%	Ordinary
Development Funding Limited	England	Development finance	100%	Ordinary
Energiser (Nominee) Limited	England	Dormant	100%	Ordinary
Cedar Green Homes Limited	England	Property development	100%	Ordinary

The registered address of the subsidiaries 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 Burnham Yard, London End, Beaconsfield, Buckinghamshire, HP9 2JH.

14. Ultimate controlling party

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

15. Events after the balance sheet date

As referred to in the going concern section of the principal accounting policies, we continue to monitor the situation concerning COVID-19 pandemic and any impact it may have on the Group and Company.

Additional Information

Advisers and Key Services Providers

Directors	Simon Bennett (Chairman) (appointed 30 June 2020) Angus Forrest (appointed 30 June 2020) Nishith Malde (appointed 24 March 2006) John Wakefield (appointed 30 June 2020) John Depasquale (resigned 30 June 2020) Stephen Wicks (resigned 30 June 2020)
Company Secretary	Marie-Claire Haines (appointed 1 February 2021)
Registered Office	Burnham Yard London End Beaconsfield HP9 2JH
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 11 Staple Inn London WC1V 7QH