Company registration number 09742902 (England and Wales)

ADARGA LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 DECEMBER 2023

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ADARGA LIMITED

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ADARGA LIMITED

BALANCE SHEET

AS AT 30 DECEMBER 2023

	Notes	30 December 2023 £	30 December 2023 £	31 December 2022 £	31 December 2022 £
Fixed assets					
Tangible assets	**4**		122,364		110,949
Investments	**5**		13		8
			122,377		110,957
Current assets					
Debtors	**6**	2,243,811		2,543,758	
Cash at bank and in hand		3,773,022		2,416,585	
		6,016,833		4,960,343	
Creditors: amounts falling due within one year	**7**	(1,921,182)		(23,572,041)	
Net current assets/(liabilities)			4,095,651		(18,611,698)
Net assets/(liabilities)			4,218,028		(18,500,741)
Capital and reserves					
Called up share capital	**8**		10,214		3,654
Share premium account			60,698,797		21,344,083
Capital redemption reserve			94		94
Profit and loss reserves			(56,491,077)		(39,848,572)
Total equity			4,218,028		(18,500,741)

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial Period ended 30 December 2023 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the Period in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 30 June 2025 and are signed on its behalf by:

J B Sherman
Director

Company Registration No. 09742902

1 Accounting policies

Company information

Adarga Limited is a private company limited by shares incorporated in England and Wales. The registered office is Secure House, Lulworth Close, Chandlers Ford, Hampshire, United Kingdom, SO53 3TL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("**FRS** 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

Assessment Process

Management has undertaken a comprehensive review of the company's financial position, performance, and cash flow forecasts. The forecasting period extends to December 2026 (18 months from the proposed signing date), and includes consideration of:

- The company's ability to meet its liabilities as they fall due,
- Recent and forecast trading performance,
- Expected cash flows and available funding,
- Any known commitments and contingencies,
- Management's intentions regarding future operations, including planned cost controls, investment, and business strategy.

Key Findings

Liquidity and Debt Settlement: Based on current cash flow projections and committed facilities, the company expects to be able to settle its debts as they fall due throughout the forecast period going forward and also cure the current liability position which exists at the date of approving these financial statements. This has been enabled by the current closing of a £7m equity fundraising and £5m revolving credit facility provided by Tarncourt Properties Limited. As shown in the cash flow forecast, the equity funding allows Adarga to fund its working capital needs into the first half of 2026, when we expect the Company to turn cash flow break-even. The forecast shows, the Company is able to maintain a meaningful cash balance throughout the forecast despite significant payments to creditors to repair the liability backlog developed over the past 9 months.

Performance: Despite the headwinds of finalising the capital raise and repairing the current liabilities, the Company has continued to serve and maintain its existing contracts, while winning new contracts. Management see positive momentum with customers and expects to hit its 2025 revenue forecasts. There are no indications of significant adverse trends.

Future Operations: Management remains committed to building its business serving the Defence & National Security sector in the UK and US, while maintaining a strict cost discipline learned over the last 18 months to support ongoing viability.

Conclusion

After considering all available information, management is satisfied that Adarga has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Bikes	100% straight line basis
Computers	40% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1 Accounting policies **(Continued)**

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 section 11 are non-basic financial instruments FRS102 section 12. The financial liability is initially recognised at fair value, which is normally the transaction price. At the end of each reporting period the debt instrument will be measured at fair value and recognise changes in value in profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Employees

The average monthly number of persons (including directors) employed by the company during the Period was:

	2023 Number	2022 Number
Total	121	95

4 Tangible fixed assets

	Bikes £	Computers £	Total £
Cost			
At 1 January 2023	-	313,146	313,146
Additions	1,559	93,857	95,416
Disposals	-	(52,659)	(52,659)
At 30 December 2023	1,559	354,344	355,903
Depreciation and impairment			
At 1 January 2023	-	202,197	202,197
Depreciation charged in the Period	329	82,705	83,034
Eliminated in respect of disposals	-	(51,692)	(51,692)
At 30 December 2023	329	233,210	233,539
Carrying amount			
At 30 December 2023	1,230	121,134	122,364
At 31 December 2022	-	110,949	110,949

5 Fixed asset investments

	2023 £	2022 £
Shares in group undertakings and participating interests	13	8

5 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2023	8
Additions	5
At 30 December 2023	13
Carrying amount	
At 30 December 2023	13
At 31 December 2022	8

6 Debtors

Amounts falling due within one year:	2023 £	2022 £
Trade debtors	141,522	246,885
Corporation tax recoverable	1,493,089	1,748,969
Other debtors	118,938	96,508
Prepayments and accrued income	282,033	252,316
	2,035,582	2,344,678

Amounts falling due after more than one year:	2023 £	2022 £
Other debtors	208,229	199,080
Total debtors	2,243,811	2,543,758

7 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	431,555	682,618
Taxation and social security	386,759	583,700
Deferred income	123,433	784,247
Other creditors	617,771	20,903,184
Accruals and deferred income	361,664	618,292
	1,921,182	23,572,041

8 Called up share capital

Ordinary share capital	2023 Number	2022 Number	2023 £	2022 £
Issued and fully paid				
Ordinary shares of 0.1p each	9,082,791	2,522,634	9,083	2,523
Ordinary A shares of 0.1p each	231,000	231,000	231	231
	9,313,791	2,753,634	9,314	2,754

Preference share capital	2023 Number	2022 Number	2023 £	2022 £
Issued and fully paid				
Preference shares of 0.1p each	900,000	900,000	900	900
Preference shares classified as equity			900	900
Total equity share capital			10,214	3,654

On 26 May 2023 the company's Future Fund was converted. The company allotted 3,642,659 ordinary shares for the principal and interest of the future fund.

9 Financial commitments, guarantees and contingent liabilities

The company is currently investigating a late filing penalty in relation to the Withholding Tax on the Future Fund conversion. It is not possible to quantify any potential financial impact with reasonable certainty. As such, no provision has been made in these financial statements.

10 Operating lease commitments

Lessee

The total amount of financial commitments not included in the balance sheet is £640,485 (2022 - £735,663). These amounts consist of the total payable under operating lease commitments until the day they expire.

11 Events after the reporting date

Share issues

On 7 May 2024, the company allotted 3,239,048 ordinary shares with a nominal value of £3,239, the total amount paid for these shares was £3,660,124.

On 24 May 2024, the company allotted 135,872 ordinary shares with a nominal value of £136, the total amount paid for these shares was £794,135.

On 5 June 2024, the company allotted 124,699 ordinary shares with a nominal value of £125, the total amount paid for these shares was £140,910.

On 12 July 2024, the company allotted 1,606,779 ordinary shares with a nominal value of £1,607, the total amount paid for these shares was £1,815,660.

Restructure

As a result of the business's financial position, a restructuring exercise has taken place which has seen a significant reduction in employee costs.

Fundraising

After the balance sheet date, there was an equity funding round where the company raised £7m from new and existing shareholders.

There have also been debt notes issued totalling £3,905,000, of which, £174,625 will be converted into equity during 2025.

The company has entered into a £5,000,000 revolving credit facility from a key investor during 2025. This is in addition to a term loan facility of £1,250,000.

The company obtained bridging loans of £1,500,000 in May 2025. The loans were provided by Tarncourt Properties Limited. The loans are secured with a fixed and floating charge over all the property or undertaking of the company. The loans have subsequently been reassigned against the revolving credit facility (from the same lender).