

COMPANIES HOUSE
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Registered number: SC418589

ADARMA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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COMPANIES HOUSE

ADARMA LIMITED

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ADARMA LIMITED

COMPANY INFORMATION

Directors

D B Calder
J R Maynard
N B O'Sullivan

Registered number

SC418589

Registered office

Quay 1
133 Fountainbridge
Edinburgh
Scotland
EH3 9QG

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EB

ADARMA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors set out their Strategic Report as required by the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 Chapter 4A Section 414A, as updated in Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) 2016 for the year ended 31 December 2022.

Fair review of the business

Adarma Limited delivered another year of revenue growth in 2022, our 13th successive year of growth. We consolidated our position as one of the largest independent cybersecurity services companies in the UK, with expansion of our customer base and growth in revenue. The investments we made in people, sales, marketing and product development in previous years are now embedded in the Company and we continue to grow strongly delivering a world class service, we entered 2023 with an established market position and a strong pipeline. Overall the directors are satisfied with the performance of the Company and the level of reinvestment into the business.

The Company's multi-tenanted security operations centre continues to grow and delivered 54% revenue growth. This growth reflects the Company's ongoing success in adding new clients whilst at the same time providing a level of service that has resulted in very strong renewal rates. This significant growth was partially offset by the loss of a large on premises managed service contract in H1 of the prior year, the revenue was more than offset by new customer wins in 2022. The Company secured a number of new client wins at the end of 2022 that will help drive revenue growth in 2023.

The Security Consulting business continued to provide critical consultancy services to customers throughout 2022. Consulting revenue was modestly below 2021, despite growth early in 2022, Adarma Limited's largest Security Consulting client insourced a large contract from June 2022, this resulted in lower than expected revenue in Q3, but this revenue was replaced by Q4 when the run rate returned to pre June levels by October. The Security Consulting business continued to shift its focus towards high value-add consultancy and 'outcomes' based projects. The Company has invested time and resources in both leadership and delivery resources to support this transition. The Company's client base remained broadly similar to 2021 with most customers being longstanding in nature. Adarma Limited has continued to increase its presence outside of its traditional financial services stronghold.

Close relationships with software providers continue to be important to the Company as we develop a broader range of services that complement the software technologies used by our clients. The Company retained platinum or equivalent status with a number of its software partners during the year and has one of the largest teams of certified engineers in Europe specialising in its partner technologies.

The general outlook for the IT security marketplace continues to show strong growth and with the investments it is making, Adarma Limited is well positioned to take advantage of that growth. Industry research forecasts increased demand in this sector as companies need to enhance their cyber security protection.

Overall the board are pleased with the growth and direction of the business in 2022. The Company will continue to invest in people, sales, marketing and product development to enable its continued growth in 2023 and beyond.

Results for the year

Revenues for the year to 31 December 2022 increased to £47,411,405 (2021: £43,169,318). The loss for the year after taxation amounted to £9,885 (2021: profit of £1,159,920). The directors of the Company approved dividends of £Nil (2021: £Nil). The results for the year are in line with the directors' expectations. The Company finished the year with a net asset value of £15,297,717 (2021: £15,307,602) an decrease of £9,885 in the year.

Profits were impacted by the customer loss mentioned above but the run rate has recovered by the end of 2022 and we expect profits to continue growing in future years.

ADARMA LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

Risks and threats relate to operational and market issues such as reputational damage or customer attrition. The directors manage risks in a variety of ways including contracts, insurance, internal controls and where necessary, external professional advice is sought.

The directors believe that despite the wider economic disruption caused by the war in Ukraine, the business is relatively well protected and shielded for medium to long term growth. The customer base is predominantly blue chip and UK based. Current levels of trade within the EU are relatively low.

The business is modestly exposed to US Dollar fluctuations. Wherever possible, back to back contracts are put in place with the end customer creating a natural currency hedge. For larger contracts, credit insurance and the forward purchasing of currency is considered.

Key performance indicators

The directors have in place a number of key performance indicators by which they measure the ongoing activities of the Company. These measures include financial indicators including revenue, gross margin, and cash generation, along with operational outputs such as adherence to customer service level agreements, staff utilisation, recruitment, retention and resource mix.

Regular board meetings are held in line with corporate governance best practice and policies are in place which are regularly reviewed and updated in order to ensure compliance with all relevant legislation.

The Company maintains a balance of permanent employees and contractors to ensure that the business is both scalable for growth and flexible in terms of cost base should demand soften. This resource mix allows the directors to manage fluctuations in turnover and reduce operational gearing.

Future developments

The importance of cyber security has grown in the economy over recent years as the threat levels from external sources continues to grow in terms of volume and sophistication. Adarma Limited is developing a product offering to combat these threats. This presents new opportunities for Adarma Limited as we seek to combat new threats and protect our customers. The Company continues to develop, embed and mature its product offerings in both its managed service and security consulting businesses. The Company released a number of new products to the market during 2022 and expects to do the same during 2023. The Company operates a hybrid working model which has embedded over previous years since the Covid-19 pandemic, this allows maximum employee flexibility and improves staff retention and productivity whilst optimising maintaining best in class service levels. The Company has a commitment to diversity, the environment, human rights, staff welfare and engagement in the communities in which it operates.

The Company will continue a strategy of providing large corporate clients with relevant value added cyber security services and sales of third party software, serviced by experienced and skilled individuals. This will include further diversification of the customer base.

The business is aiming to achieve continued growth both organically and through targeted acquisitions. The key indicators for the cyber security market are good and the business is forecast to deliver continued growth whilst minimising risk. This will be done within an environment that considers the impact on a broad group of stakeholders.

ADARMA LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors of Adarma Limited together with the directors of its ultimate parent Project Excalibur Topco Limited consider that they have acted in good faith and in a way they consider would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022. In particular, in reference to the below issues in the year.

Approval of 2023 plan

In February 2023 the board approved the budget for the year. The budget again targeted continued growth, and was based on the current pipeline, customer demands and market trends, from which the Board gained confidence in the future outlook for the business. The board consulted with senior employees on the strategic areas of the business to ensure the plans were robust and achievable. While setting the budget the Board considered customer behaviour, market trends and future opportunities driven by new technologies. Continuing investment in new product development, technical training and a number of new strategic initiatives designed to sustain growth in both managed services and security consulting were presented and approved by the board. These investments combined with the automation we have carried out across our security monitoring service over recent years will ensure we continue to be at the forefront of delivering world class products and service delivery. This enhanced automation capability coupled with the new strategic initiatives and products should differentiate Adarma Limited in the market compared to our competitors.

This report was approved by the board and signed on its behalf by:



J R Maynard
Director

Date: 28 April 2023

ADARMA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and the audited financial statements of Adarma Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is that of cyber security detection and response services.

Results and dividends

The loss for the financial year amounted to £9,885 (2021: profit of £1,159,920).

There were no dividends paid during the year (2021: £Nil). The directors do not recommend the payment of a final dividend (2021: £Nil).

Directors

The directors who served the Company during the year and up to the date of signing the financial statements, unless otherwise stated, were:

D B Calder	
M D Grafton	(resigned 1 October 2022)
J R Maynard	
N B O'Sullivan	(appointed 8 December 2022)

Going concern

The Company has net assets of £15,297,717 (2021: £15,307,602) and a loss for the current year of £9,885 (2021: profit of £1,159,920) the directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

The Company has generated positive earnings before interest and tax for the last two full calendar years and is forecasted to do so going into the future. The Company has significant liquidity, and the Group's funding facilities are long term in nature. In making their assessment the directors have prepared trading and cash flow forecasts for at least the next 12 months to consider liquidity needs and covenant compliance under the Group's banking agreement. Included within the forecasts was a reasonable downside scenario which considered lower levels of revenue growth compared to our base case and, for certain lines of business, historical growth rates. This scenario was achieved by sensitising assumptions around win rates, retention rates, utilisation rates and billable headcount, along with revised cost scenarios under such sensitised circumstances.

For these reasons, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and for the foreseeable future thereafter and therefore for the financial statements to be prepared on a going concern basis.

Employment of disabled persons

Applications for employment by people with disability are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled all reasonable effort is made to ensure that their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able bodied person.

ADARMA LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, currency risk, liquidity risk and interest rate risk. The Company has in place risk management procedures to limit the exposure of these risks.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Foreign exchange risk

The Company is exposed to credit risk for almost its entire revenue base. It has been very successful in managing its credit risk exposure and has not experienced any significant credit risk events. It has managed its credit risk exposure through careful contracting, project management and through the strength of its customer relationships.

Foreign exchange risk

Whilst almost all of the Company's operations occur wholly within the UK and are transacted in Sterling, the Company is exposed to limited foreign exchange risk where the sale and or the purchase can be denominated in non-sterling currencies. These transactions require the Group to buy and sell USD and Euro currencies on an ad-hoc basis throughout the period. Due to the limited number of these transactions, and the short term exposure on these transactions, the risk is deemed to be minimal.

Liquidity risk

The Company forms part of a group which has been financed through a mixture of equity and debt that is designed to ensure the Company has sufficient funds for operations and planned growth. The Company's external bank facilities have two covenants attached. The Company closely monitors the exposure against these covenants on a monthly basis while incorporating the covenant tests in any forecasts. The Company's bank facilities are long term in nature thereby reducing liquidity risk.

Interest rate risk

The interest rates on the Company's bank facilities are based upon the Bank of England Base Rate plus a margin. The Company is exposed to adverse fluctuations in the base rate and is closely monitoring the situation. The Company does not currently hedge its interest exposure but monitors this position on a regular basis. The Company holds cash deposits that earn interest at a variable rate.

Statement of Greenhouse Gas (GHG) Emissions for UK Offices

The Statement of Greenhouse Gas (GHG) Emissions for UK offices are included in the Directors Report in the financial statements of Project Excalibur Topco Limited, which does not form part of this report.

Engagement with employees, suppliers and customers

Please refer to the our commitment to Section 172 statement within the Strategic Report.

ADARMA LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information in order to make themselves aware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP, will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

ADARMA LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

This report was approved by the board and signed on its behalf by:

John R Maynard

J R Maynard
Director

Date: 28 April 2023

Independent auditors' report to the members of Adarma Limited

Report on the audit of the financial statements

Opinion

In our opinion, Adarma Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to 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 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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax law and the Companies Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of revenue. Audit procedures performed by the engagement team included:

- Testing over unexpected journal combinations
- Substantive procedures over revenue transactions
- Enquiries with those charged with governance
- Review of board minutes

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Paul Cheshire', written in a cursive style.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 April 2023

ADARMA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	47,411,405	43,169,318
Cost of sales		(33,717,403)	(28,856,544)
Gross profit		13,694,002	14,312,774
Administrative expenses		(14,531,798)	(12,963,901)
Other operating income	5	933,037	–
Operating profit	6	95,241	1,348,873
Profit before taxation		95,241	1,348,873
Tax on profit	9	(105,126)	(188,953)
(Loss)/profit for the financial year		(9,885)	1,159,920
Total comprehensive (expense)/income for the financial year		(9,885)	1,159,920

The notes on pages 16 to 29 form part of these financial statements.

ADARMA LIMITED
REGISTERED NUMBER: SC418589
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	10	1,061,828	454,380
Tangible assets	11	552,358	689,307
Investments	12	–	–
		1,614,186	1,143,687
Current assets			
Debtors	13	23,421,570	12,157,909
Cash at bank and in hand	14	4,115,871	12,259,392
		27,537,441	24,417,301
Creditors: amounts falling due within one year	15	(13,674,977)	(10,061,171)
Net current assets		13,862,464	14,356,130
Total assets less current liabilities		15,476,650	15,499,817
Provisions for liabilities			
Deferred taxation	16	(178,933)	(192,215)
Net assets		15,297,717	15,307,602
Capital and reserves			
Called up share capital	17	2,217	2,217
Share premium account	18	200,419	200,419
Capital redemption reserve	18	70	70
Retained earnings	18	15,095,011	15,104,896
Total shareholders' funds		15,297,717	15,307,602

The financial statements on pages 13 to 29 were approved and authorised for issue by the board and were signed on its behalf by:

John R Maynard

J R Maynard
 Director

Date: 28 April 2023

The notes on pages 16 to 29 form part of these financial statements.

ADARMA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Retained earnings £	Total shareholders' funds £
At 1 January 2021	2,217	200,419	70	13,944,976	14,147,682
Comprehensive income for the financial year					
Profit for the financial year	–	–	–	1,159,920	1,159,920
Total comprehensive income for the financial year	–	–	–	1,159,920	1,159,920
At 31 December 2021 and 1 January 2022	2,217	200,419	70	15,104,896	15,307,602
Comprehensive income for the financial year					
Loss for the financial year	–	–	–	(9,885)	(9,885)
Total comprehensive expense for the financial year	–	–	–	(9,885)	(9,885)
At 31 December 2022	2,217	200,419	70	15,095,011	15,297,717

The notes on pages 16 to 29 form part of these financial statements.

ADARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 General information

The principal activity of the Company is that of cyber security. The Company is a trading entity which is consolidated into Project Excalibur Topco Limited ("the Group").

The Company is a private company limited by shares and is incorporated and domiciled in Scotland within the United Kingdom. The address of its registered office is Quay 1, 133 Fountainbridge, Edinburgh, Scotland, EH3 9QG.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied consistently throughout the year, unless otherwise stated:

2.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Project Excalibur Topco Limited, includes the Company's cash flows in its own consolidated financial statements;
- from the disclosure of financial instruments, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statements disclosures; and
- from disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 December 2022 it was a wholly owned subsidiary.

ADARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.3 Going concern

The Company has net assets of £15,297,717 (2021: £15,307,602) and a loss for the current year of £9,885 (2021: profit of £1,159,920) the directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

The Company has generated positive earnings before interest and tax for the last two full calendar years and is forecasted to do so going into the future. The Company has significant liquidity, and the Group's funding facilities are long term in nature. In making their assessment the directors have prepared trading and cash flow forecasts for at least the next 12 months to consider liquidity needs and covenant compliance under the Group's banking agreement. Included within the forecasts was a reasonable downside scenario which considered lower levels of revenue growth compared to our base case and, for certain lines of business, historical growth rates. This scenario was achieved by sensitising assumptions around win rates, retention rates, utilisation rates and billable headcount, along with revised cost scenarios under such sensitised circumstances.

For these reasons, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and for the foreseeable future thereafter and therefore for the financial statements to be prepared on a going concern basis.

2.4 Consolidation

These statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its associated undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Project Excalibur Topco Limited, a company incorporated in England.

ADARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services and software rendered, net of discounts and Value Added Tax, and in accordance with the guidelines laid out in FRS 102.

Depending upon the nature of the commercial agreement with the customer, turnover from the rendering of consulting services is measured by reference to either (i) the time spent delivering the services or (ii) the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, turnover is recognised only to the extent that expenses recognised are recoverable.

Turnover from the provision of recurring managed services is recognised in accordance with the period of time to which they relate. In most cases turnover is recognised equally over the length of the contract.

Turnover from the provision of third party software is measured when the significant risks and rewards of ownership have transferred to the buyer. Software licensing turnover is recognised when the licence is dispatched to the customer and there are no ongoing obligations associated with the licence. Associated maintenance turnover is recognised in the month of sale only if there are no ongoing obligations which would require the turnover to be recognised over a longer period. Maintenance turnover is also fully recognised in the month of sale where full liability for maintenance rests with the third party provider. Any associated costs relating to the provision of the software licence and maintenance turnover are provided in full in the month of sale.

2.6 Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for sale or generate revenue with a reasonable expectation of profit;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits,
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset.

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.7 Pensions

Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance-cost in the Statement of Comprehensive Income in the period in which it arises.

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Research & development	-	3 years
Computer software	-	3 years

2.9 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Leasehold improvements	-	over the lease term of 10 years
Fixtures and fittings	-	25% straight-line basis
Office equipment	-	25% straight-line basis
Computer equipment	-	25% straight-line basis

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.9 Tangible assets (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Statement of Comprehensive Income.

2.10 Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

2.11 Investments

Investments in subsidiaries company are measured at cost less accumulated impairment.

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Creditors

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

ADARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.15 Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other creditors, 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 receipts discounted at a market rate of interest.

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. Trade creditors 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

Financial assets and liabilities are offset and 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.

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

Principal v Agent

Management determine that the turnover derived from the provision of third party software meets the definition of a principal relationship. Significant control is retained by the Company in the transactions with the customers including the ability to determine the sell price. The Company also bears the significant risks such as inventory and credit risk in such transactions.

(b) Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions.

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£	£
Rendering of services	32,398,980	32,102,741
Software reseller fees	15,012,425	11,066,577
	47,411,405	43,169,318

£300,479 (2021: £665,578) of the turnover was generated in the Netherlands. The remainder of the turnover that is attributable to the principal activity of the Company was wholly undertaken in the United Kingdom.

5 Other operating income

	2022	2021
	£	£
RDEC income	623,198	–
Grant income	309,839	–
	933,037	–

The classification of RDEC and Grant Income has been changed in the current year from administrative expenses to 'Other Income' (see note 25).

6 Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Amortisation of intangible assets (note10)	165,363	5,964
Depreciation of tangible assets (note11)	278,829	241,334
Operating lease rentals	705,851	537,463

7 Auditors' remuneration

	2022	2021
	£	£
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	50,779	42,305
Fees payable to the auditors and their associates for the preparation of the Company's annual financial statements	11,550	12,700

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for 'Other services' as this information is included in the consolidated financial statements of Project Excalibur Topco Limited.

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

8 Employees and directors

Staff costs were as follows:

	2022	2021
	£	£
Wages and salaries	19,090,954	16,237,734
Social security costs	2,248,608	1,760,347
Other pension costs	1,122,737	896,574
	22,462,299	18,894,655

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

	2022	2021
	Number	Number
Engineering and consulting staff	224	221
Administrative and operations staff	108	78
	332	299

The directors of the Company are remunerated by Project Excalibur Bidco Limited. The directors provided oversight and leadership services to the Company.

9 Tax on profit

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the financial year	77,510	41,593
Adjustments in respect of prior year	40,898	48,121
Total current tax	118,408	89,714
Deferred tax		
Origination and reversal of timing differences	(10,683)	59,149
Adjustments in respect of prior year	(23,702)	(16,024)
Effect of changes in tax rates	21,103	56,114
Total deferred tax	(13,282)	99,239
Total tax	105,126	188,953

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tax on profit (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit before taxation	95,241	1,348,873
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	18,096	256,286
Effects of:		
Expenses not deductible for tax purposes	86	1,455
Adjustments to tax charge in respect of prior years	17,196	32,097
Income not deductible for tax purposes	(42,324)	(44,032)
Effects of Group relief/other reliefs	90,970	(112,967)
Changes in tax rates	21,102	56,114
Total tax charge for the financial year	105,126	188,953

Factors that may affect future tax charges

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end.

10 Intangible assets

	Research & development £	Computer software £	Total £
Cost			
At 1 January 2022	430,344	30,000	460,344
Additions	672,811	100,000	772,811
At 31 December 2022	1,103,155	130,000	1,233,155
Accumulated amortisation			
At 1 January 2022	5,964	–	5,964
Charge for the year	142,030	23,333	165,363
At 31 December 2022	147,994	23,333	171,327
Net book value			
At 31 December 2022	955,161	106,667	1,061,828
At 31 December 2021	424,380	30,000	454,380

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 January 2022	310,510	81,898	80,929	870,711	1,344,048
Additions	–	–	683	148,149	148,832
Disposals	–	–	–	(41,661)	(41,661)
At 31 December 2022	310,510	81,898	81,612	977,199	1,451,219
Accumulated depreciation					
At 1 January 2022	88,067	58,953	60,602	447,119	654,741
Charge for the year	31,051	19,123	19,292	209,363	278,829
Disposals	–	–	–	(34,709)	(34,709)
At 31 December 2022	119,118	78,076	79,894	621,773	898,861
Net book value					
At 31 December 2022	191,392	3,822	1,718	355,426	552,358
At 31 December 2021	222,443	22,945	20,327	423,592	689,307

12 Investments

Subsidiary undertaking

The following is a subsidiary undertaking of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity	Registered address
Vacta Ltd.	United Kingdom	Ordinary	100%	Dormant	Quay 1 133 Fountainbridge Edinburgh Scotland EH3 9QG

13 Debtors

	2022 £	2021 £
Trade debtors	13,340,715	8,022,315
Amounts owed by group undertakings	8,223,151	2,454,840
Corporation tax repayable	349,514	387,961
Other debtors	451,677	287,811
Prepayments and accrued income	1,056,513	1,004,982
	23,421,570	12,157,909

Amounts owed by group undertakings are unsecured and are repayable on demand.

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

14 Cash at bank and in hand

	2022	2021
	£	£
Cash at bank and in hand	4,115,871	12,259,392

15 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	7,631,436	4,996,195
Other taxation and social security	1,922,280	1,544,043
Other creditors	162,348	149,000
Accruals and deferred income	3,958,913	3,371,933
	13,674,977	10,061,171

16 Deferred taxation

	2022
	£
At beginning of year	(192,215)
Credited to profit and loss	13,282
At end of year	(178,933)

The provision for deferred taxation is made up as follows:

	2022	2021
	£	£
Fixed asset timing differences	(346,284)	(244,362)
Short term timing differences	24,546	10,554
R&D Expenditure credit	142,805	41,593
	(178,933)	(192,215)

Deferred tax liability has been recognised due to the timing differences incurred through utilisation of capital allowances. The Company estimates that £99,724 will unwind in the next financial year (2021: £53,948).

17 Called up share capital

	2022	2021
	£	£
Allotted and fully paid		
1,317 (2021: 1,317) Ordinary shares of £1 (2021: £1) each	1,317	1,317
900 (2021: 900) Ordinary A shares of £1 (2021: £1) each	900	900
	2,217	2,217

ADARMA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Retained earnings

The retained earnings represent the accumulated profits, losses and distributions of the Company.

19 Contingent liabilities

The Company guarantees to settle any future obligations or liabilities of Vacta Ltd., its dormant subsidiary. As Vacta Ltd. has not traded since 2014, the directors believe no material amounts are likely to arise.

Lloyds Bank Plc holds a floating charge over the assets of the Company in respect of a bank loan totalling £10,125,000 (2021: £13,875,000) held by Project Excalibur Bidco Limited.

20 Personal service companies

The Company occasionally uses Personal Service Companies (contractor or consultant owned entities) to deliver services to customers. The directors of Adarma Limited consider the Company is not responsible for any further tax, national insurance or liabilities in this respect on the basis that the responsibility for such costs lie with the personal service companies.

21 Pension commitments

The Company operates a defined contribution scheme for certain directors and employees. The pension charge represents contributions paid by the Company to the scheme and amounts to £1,199,586 (2021: £946,920).

ADARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Commitments under operating leases

At 31 December, the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	515,012	626,217
Between 2 and 5 years	99,078	286,188
	614,090	912,405

23 Related party transactions

Adarma Limited is part of the Project Excalibur Group, ultimately controlled by Livingbridge LP.

The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A "Related party disclosures" from disclosing transactions and balances with wholly owned group undertakings.

During the year, the Group sold IT services amounting to £92,999 (2021: £96,999) to M247 UK Limited, a company who is within the Livingbridge Group. Amounts outstanding at 31 December 2022 were £22,765 (2021: £34,765)

24 Ultimate parent undertaking and controlling party

The Company's immediate parent company is Project Excalibur Bidco Limited.

The Company's ultimate parent company is Project Excalibur Topco Limited.

At the year end, the smallest and largest group of undertakings which has produced consolidated financial statements, and of which the Company is a member, is Project Excalibur Topco Limited a company incorporated in England. Group financial statements for this company are available from 100 Wood Street London, United Kingdom, EC2V 7AN.

The ultimate controlling party is Livingbridge General Partner LLP and Livingbridge EP LLP by virtue of their shareholdings in Project Excalibur Topco Limited.

25 Current year reclassification

The classification of RDEC and Grant Income has been changed in the current year from administrative expenses to 'Other Income'.

In the prior year these are still held in administrative expenses. If these had been reclassified in the prior year financial statements, administrative expenses would have been £531,427 higher than reported with a corresponding offset in other income.

This reclassification has no effect on the reported results of operations.