

Registered number: SC418589

Adarma Limited

Annual report and financial statements

For the year ended 31 December 2020

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Adarma Limited

Contents

	Page(s)
Company information	1
Strategic report	2 - 4
Directors' report	5 - 7
Independent auditors' report to the members of Adarma Limited	8 - 10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14 - 28

Adarma Limited

Company information

Directors

David Calder
Mark Grafton
John Maynard (appointed 25 November 2020)
Nathan Dornbrook (resigned 22 January 2021)

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 2020

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 2020.

Fair review of the business

2020 was a challenging year in many respects, in spite of this the company continued on its growth journey. Overall the directors are satisfied with the performance in the face of the headwinds created by the pandemic. Throughout 2020, the company continued to maintain and build on its longstanding relationships with its existing customer base, both retaining and growing its key accounts whilst continuing to add new accounts throughout the year.

The company's multi-tenanted security operations centre continues to grow in terms of both customers and staff. A number of new accounts were added to the operation throughout the year. Customer needs for security consulting faced more challenging conditions after March 2020 when the pandemic and subsequent lockdowns took effect. The criticality of the services we deliver was reflected in the fact that very few in-flight projects were cancelled. Customers were however more cautious in commencing new, discretionary projects during Q2 and Q3, before demand rebounded back to more normal levels in Q4. Security consulting still forms a significant portion of revenues and it is envisaged that these services will continue to form an important part of the business.

Close relationships with software providers are essential as the company continues to resell their products whilst providing services to the customers buying those products. 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. Industry research forecasts increased demand in this sector as companies need to enhance their cyber security protection.

2020 was the first full year post the Livingbridge investment, it was also the first full year where the group had its own support functions following the separation from the ECS Group. During 2020 the business added to its leadership team, embedded new systems & processes, and improved its reporting. There are non recurring costs associated with this that we do not anticipate will recur in future years.

Livingbridge and the board are supportive of the company's growth plans in the UK and will facilitate expansion into international markets through either greenfield start-up or acquisition should suitable opportunities arise.

Results for the year

Revenues for the year to 31 December 2020 increased to £42,137,209 (2019: £41,413,919). The profit for the year after taxation amounted to £5,268,909 (2019: £6,127,302). The directors of the company approved dividends of £3,212,221 during the year (2019: £Nil). The results for the year are in line with the directors' expectations. The company finished the year with a Net Asset Value of £14,147,682 (2019: £12,090,994) an increase of £2,056,688 in the year. This was the first full year of the costs associated with setting up standalone back office functionality which took place throughout 2019.

Adarma Limited

Strategic report (continued) For the year ended 31 December 2020

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 Covid-19, 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 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.

Covid-19 considerations

Covid-19 and the subsequent lockdowns presented new challenges to Adarma Limited management, employees and customers. The company established pandemic working groups to monitor and manage the operational and financial impacts on the business. Taking action to ensure we continued to deliver to our customers whilst protecting the physical and mental welfare of our staff was of paramount importance. We adopted a flexible position to accommodate high risk groups and working parents. The feedback from staff over this period has been broadly positive. Staff numbers continued to increase throughout the lockdown with the company experiencing very low levels of staff turnover.

The measures put in place to protect employees helped to ensure that our workforce remained predominantly healthy, which along with our investment in home-working initiatives and collaboration with our customers ensured that the company was able to continue to provide a robust and seamless service. The board continually considered the impact of Covid-19 on our current customer base and put adequate steps and procedures in place to minimise financial and operational risk.

Adarma Limited

Strategic report (continued) For the year ended 31 December 2020

Future developments

The company continues to develop its product offerings in both its managed service and security consulting businesses and will release a number of new products to the market during 2021. The directors believe that the shift to home based working has been a success but at the same time recognises the need for the team to come together for learning and collaboration. The company is currently exploring hybrid working solutions that will enable it to maximise employee flexibility and make a positive contribution to improving staff retention and productivity whilst optimising its property footprint. 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 Livingbridge investment will continue to provide a platform for this future growth. The key indicators for the cyber security market are good and the business is forecast to deliver continued profitability to its shareholders whilst minimising risk. This will be done within an environment that considers the impact on a broad group of stakeholders.

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 2020. In particular, in reference to the below issues in the year:

Approval of 2021 plan

In February 2021 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 during 2020 will ensure we continue to be at the forefront of delivering world class products and services. 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 on 30 April 2021 and signed on its behalf.



John Maynard
Director

Adarma Limited

Directors' report For the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2020.

Principal activities

The principal activity of the company is that of cyber security.

Results and dividends

The profit for the financial year amounted to £5,268,909 (2019: £6,127,302).

An interim dividend of £3,212,221 (2019: £Nil) was declared and paid during the year. The directors do not recommend the payment of a final dividend (2019: £Nil).

Future developments

The section on future developments which is detailed in the Strategic report is included in this report by cross reference.

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

David Calder
Mark Grafton
John Maynard (appointed 25 November 2020)
Nathan Dornbrook (resigned 22 January 2021)

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.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, foreign exchange 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.

Credit 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.

Adarma Limited

Directors' report (continued) For the year ended 31 December 2020

Financial risk management (continued)

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 LIBOR 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.

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 judgments 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.

Adarma Limited

Directors' report (continued)
For the year ended 31 December 2020

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 of which the company's auditors are unaware; 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the board on 30 April 2021 and signed on its behalf.



John Maynard
Director



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 2020 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, comprising 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 2020; 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 2020 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 Employment Law and Tax Law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 included:

- Testing over unexpected journal combinations
- Substantive procedures over revenue transactions

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.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 April 2021

Adarma Limited

**Statement of comprehensive income
For the year ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	5	42,137,209	41,413,949
Cost of sales		(26,781,222)	(27,184,575)
Gross profit		15,355,987	14,229,374
Administrative expenses		(9,848,738)	(8,460,459)
Operating profit	6	5,507,249	5,768,915
Interest receivable and similar income	9	222,788	205,864
Profit before taxation		5,730,037	5,974,779
Tax on profit	10	(461,128)	152,523
Profit for the financial year		5,268,909	6,127,302
Total comprehensive income for the year		5,268,909	6,127,302

All the activities of the company are from continuing operations.

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

Adarma Limited
Registered number: SC418589.

Statement of financial position
As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	12		639,774		788,553
Investments	13		-		-
			<u>639,774</u>		<u>788,553</u>
Current assets					
Debtors	14	12,083,941		12,475,765	
Cash at bank and in hand		11,936,380		6,383,575	
		<u>24,020,321</u>		<u>18,859,340</u>	
Creditors: amounts falling due within one year	15	(10,419,437)		(7,464,476)	
Net current assets			<u>13,600,884</u>		<u>11,394,864</u>
Total assets less current liabilities			<u>14,240,658</u>		<u>12,183,417</u>
Deferred taxation	16		(92,976)		(92,423)
Net assets			<u><u>14,147,682</u></u>		<u><u>12,090,994</u></u>
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			13,944,976		11,888,288
Total shareholders' funds			<u><u>14,147,682</u></u>		<u><u>12,090,994</u></u>

The financial statements on pages 11 to 28 were approved and authorised for issue by the board and were signed on its behalf on 30 April 2021.



Mark Grafton
 Director

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

Adarma Limited

**Statement of changes in equity
For the year ended 31 December 2020**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Retained earnings £	Total shareholders' funds £
At 1 January 2019	2,012	2,724	70	5,435,111	5,439,917
Comprehensive income for the year					
Profit for the financial year	-	-	-	6,127,302	6,127,302
Total comprehensive income for the year	-	-	-	6,127,302	6,127,302
Equity settled share based payment transactions	-	-	-	325,875	325,875
Shares issued during the year	205	197,695	-	-	197,900
Total transactions with owners	205	197,695	-	325,875	523,775
At 31 December 2019 and 1 January 2020	2,217	200,419	70	11,888,288	12,090,994
Comprehensive income for the year					
Profit for the financial year	-	-	-	5,268,909	5,268,909
Total comprehensive income for the year	-	-	-	5,268,909	5,268,909
Dividends paid (note 11)	-	-	-	(3,212,221)	(3,212,221)
Total transactions with owners	-	-	-	(3,212,221)	(3,212,221)
At 31 December 2020	2,217	200,419	70	13,944,976	14,147,682

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

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information

The principal activity of the company is that of cyber security.

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. Statement of compliance

The financial statements of Adarma Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 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 4).

The following principal accounting policies have been applied consistently unless otherwise specified:

3.2 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 2020 it was a wholly owned subsidiary.

3.3 Going concern

The company has net assets of £14,147,682 and a profit for the current year of £5,268,909 the directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

**Notes to the financial statements
For the year ended 31 December 2020**

3. Accounting policies (continued)

3.3 Going concern (continued)

The company has generated significant positive earnings before interest, tax, depreciation and amortisation in 2020. The company has significant liquidity, and the parent company's funding facilities are long term in nature. The directors have prepared trading and cash flow forecasts for at least the next 12 months which indicate that the company will operate within its available funding facilities. In addition, the forecasts show that the parent company will comply with the financial covenants that are set under its funding facilities.

The directors have applied reasonable downside sensitivities to their forecasts which suggest the company will continue to operate within the facilities and the financial covenant requirements.

For these reasons, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months and for the foreseeable future thereafter.

3.4 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.

3.5 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.

**Notes to the financial statements
For the year ended 31 December 2020**

3. Accounting policies (continued)

3.6 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.

3.7 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

3.8 Pensions

Defined contribution pension plan

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 profit or loss in the period in which it arises.

3.9 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.

**Notes to the financial statements
For the year ended 31 December 2020**

3. Accounting policies (continued)

3.9 Tangible assets (continued)

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
Office equipment	- 25% straight line
Computer equipment	- 25% straight line

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

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

3.10 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.

3.11 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.12 Debtors

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

3.13 Cash at bank and in hand

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.

3.14 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.

**Notes to the financial statements
For the year ended 31 December 2020**

3. Accounting policies (continued)

3.15 Financial instruments

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

i. Financial assets

Basic financial assets, including trade debtors, other debtors, cash and bank balances and amounts owed by fellow group companies, 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 asset's 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 creditors 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.

**Notes to the financial statements
For the year ended 31 December 2020**

3. Accounting policies (continued)

3.16 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

3.17 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 Statement of financial position 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.

3.18 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 proceeds.

4. 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 company'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 For the year ended 31 December 2020

5. Turnover

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

	2020 £	2019 £
Rendering of services	31,970,358	33,688,353
Software reseller fees	10,166,851	7,725,596
	<u>42,137,209</u>	<u>41,413,949</u>

£302,028 (2019: £30,204) of the turnover was generated in Spain. £597,607 (2019: £Nil) of the turnover was generated in Netherlands. The remainder of the turnover that is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible assets	223,775	187,502
Operating lease rentals	538,826	523,561
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	44,550	50,000
Fees payable to the auditors and their associates for the preparation of the company's annual financial statements	12,700	15,000
	<u>12,700</u>	<u>15,000</u>

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 For the year ended 31 December 2020

7. Employees

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

	2020 £	2019 £
Wages and salaries	13,047,175	11,629,518
Social security costs	1,415,338	1,203,247
Other pension costs	729,422	557,039
Share based payments	-	325,875
	<u>15,191,935</u>	<u>13,715,679</u>

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

	2020 Number	2019 Number
Staff	<u>274</u>	<u>237</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>-</u>	<u>148,108</u>

The highest paid director received remuneration of £Nil (2019: £78,638). From 23 May 2019, the directors of the company have been remunerated by Project Excalibur Bidco Limited. The directors provided oversight and leadership services to the company.

9. Interest receivable and similar income

	2020 £	2019 £
Interest receivable from parent company	193,769	173,797
Interest on cash and cash equivalents	29,019	32,067
	<u>222,788</u>	<u>205,864</u>

Adarma Limited

**Notes to the financial statements
For the year ended 31 December 2020**

10. Tax on profit

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	389,346	(244,946)
Adjustments in respect of previous periods	71,229	-
Total current tax	460,575	(244,946)
Deferred tax		
Origination and reversal of timing differences	(11,706)	92,423
Adjustment in respect of previous periods	12,259	-
Total deferred tax	553	92,423
Total tax charge/(credit) for the year	461,128	(152,523)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit before taxation	5,730,037	5,974,779
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,088,707	1,135,208
Effects of:		
Expenses not deductible for tax purposes	2,241	4,790
Fixed asset differences	3,082	2,940
Losses carried back	-	174,802
Adjustments to tax charge in respect of previous periods	83,488	(244,946)
Other permanent differences	-	(1,244,743)
Income not deductible for tax purposes	(10,622)	-
Amounts credited directly to STRGL or otherwise transferred	-	154,791
Additional deduction for R&D	-	(73,401)
Group relief	(718,084)	-
Changes in tax rates	12,316	(16,251)
Deferred tax not recognised	-	(45,713)
Total tax charge/(credit) for the year	461,128	(152,523)

Notes to the financial statements
For the year ended 31 December 2020

10. Tax on profit (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the Statement of financial position date, its effects are not included in these financial statements.

11. Dividends declared and paid

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £	2019 £
Dividends on equity shares	<u>3,212,221</u>	<u>-</u>

12. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2020	306,059	92,486	90,244	572,166	1,060,955
Additions	-	-	-	83,485	83,485
Disposals	-	-	-	(23,275)	(23,275)
At 31 December 2020	<u>306,059</u>	<u>92,486</u>	<u>90,244</u>	<u>632,376</u>	<u>1,121,165</u>
Accumulated depreciation					
At 1 January 2020	26,410	27,222	26,542	192,228	272,402
Charge for the year	30,606	23,122	22,561	147,486	223,775
Disposals	-	-	-	(14,786)	(14,786)
At 31 December 2020	<u>57,016</u>	<u>50,344</u>	<u>49,103</u>	<u>324,928</u>	<u>481,391</u>
Net book value					
At 31 December 2020	<u>249,043</u>	<u>42,142</u>	<u>41,141</u>	<u>307,448</u>	<u>639,774</u>
At 31 December 2019	<u>279,649</u>	<u>65,264</u>	<u>63,702</u>	<u>379,938</u>	<u>788,553</u>

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

13. 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

14. Debtors

	2020 £	2019 £
Trade debtors	9,691,172	8,072,456
Amounts owed by group undertakings	968,767	3,304,732
Corporation tax repayable	-	245,533
Other debtors	232,439	114,788
Prepayments	1,191,563	738,256
	<u>12,083,941</u>	<u>12,475,765</u>

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

15. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	5,917,141	3,527,759
Corporation tax	285,773	-
Taxation and social security	2,390,560	1,370,006
Other creditors	104,455	92,340
Accruals and deferred income	1,721,508	2,474,371
	<u>10,419,437</u>	<u>7,464,476</u>

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

16. Deferred taxation

	2020 £	2019 £
At beginning of year	(92,423)	-
Charged to Statement of comprehensive income	(553)	(92,423)
At end of year	(92,976)	(92,423)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(105,577)	(102,068)
Short term timing differences	12,601	9,645
	(92,976)	(92,423)

Deferred tax liability has been recognised due to the timing differences incurred through utilisation of capital allowances. The company estimates that £19,310 will unwind in the next financial period.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The deferred tax balance has been measured at the substantively enacted rate of 19%. If the 25% tax rate had been used, the deferred tax liability would have been £29,361 higher.

17. Called up share capital

	2020 £	2019 £
Allotted and fully paid		
1,317 (2019: 1,317) Ordinary shares of £1 each	1,317	1,217
900 (2019: 900) Ordinary A shares of £1 each	900	1,000
	2,217	2,217

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.

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

19. Share based payments

The company historically had a number of EMI qualifying options over shares in place, the value of which would be realised on a sale. The cost to the company of the estimated market value at grant, net of exercise proceeds, was spread over an estimated vesting period. The share-based payments are equity settled shares in Adarma Limited.

On 23 May 2019, all shares vested on change of ownership, when Project Excalibur Bidco Limited bought the entire share capital of Adarma Limited. There are no further option plans in place from that date onwards.

The total expenses recognised for the year in the company from share based payments are as follows.

This is recognised in the company for which the employee works:

	2020 £	2019 £
Equity settled share based payments	-	325,875

20. Contingent liabilities

The company guarantees to settle any future obligations or liabilities of Vacta Ltd., its dormant subsidiary. As Vacta Ltd. has not traded for five years 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 £14,625,000 held by Project Excalibur Bidco Limited.

21. Personal service companies

The company 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.

22. 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 £729,422 (2019: £557,039).

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

23. 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:

	2020 £	2019 £
Not later than 1 year	506,725	552,925
Between 2 and 5 years	476,422	963,149
	<u>983,147</u>	<u>1,516,074</u>

24. Related party transactions

Pre-acquisition

On the 23 May 2019, the company was purchased. Prior to this date the company belonged within the ECS Group and was under the control of its directors.

Related party transactions related to rent at market value, salaries and expenses arising in the normal course of business.

In 2019, related party sales to ECS Europe Limited are £7,222,688 and £513,900 to ECS Global Ltd.

These sales related to the provision of information technology services for the IT and Data Security needs of large organisations and arise in the normal course of business. During 2019, the company received management charges from ECS Europe Limited of £376,117.

Transactions and shared costs with ECS Europe Limited, ECS Security Ltd and ECS Consultancy Limited which were under common control were at arm's length commercial basis.

Management charges were generated monthly and were used as the mechanism to recharge appropriate central costs between the ECS operating companies which are under common control.

Post-acquisition

After 23 May 2019, Adarma Limited was no longer part of the ECS Group and was integrated into a newly formed Project Excalibur Group, ultimately controlled by Livingbridge General Partner LLP and Livingbridge EP LLP.

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 £85,468 (2019: £144,145) to Metronet UK Limited, a Livingbridge investee company. Amounts outstanding at 31 December 2020 were £22,765 (2019: £172,974).

Adarma Limited

Notes to the financial statements For the year ended 31 December 2020

25. Ultimate 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.