

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

NETSPARKER LIMITED

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NETSPARKER LIMITED

COMPANY INFORMATION

Directors	Dominic Ang Chase Sorgel Ferruh Mavituna
Registered number	06947644
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor Centrum House 36 Station Road Egham Surrey TW20 9LF

NETSPARKER LIMITED

CONTENTS

	Page
Statement of Financial Position	1
Notes to the Financial Statements	2 - 7

NETSPARKER LIMITED
REGISTERED NUMBER:06947644

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	5	41,993	7,590
Investments	6	2,500	2,500
		<u>44,493</u>	<u>10,090</u>
Current assets			
Debtors: amounts falling due within one year	7	4,543,289	2,427,138
Cash at bank and in hand		1,791,818	1,675,760
		<u>6,335,107</u>	<u>4,102,898</u>
Creditors: amounts falling due within one year	8	(8,808,225)	(4,975,626)
Net current liabilities		<u>(2,473,118)</u>	<u>(872,728)</u>
Total assets less current liabilities		<u>(2,428,625)</u>	<u>(862,638)</u>
Creditors: amounts falling due after more than one year	9	(860,331)	(1,017,942)
Net liabilities		<u>(3,288,956)</u>	<u>(1,880,580)</u>
Capital and reserves			
Called up share capital		30	30
Profit and loss account		(3,288,986)	(1,880,610)
		<u>(3,288,956)</u>	<u>(1,880,580)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

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

Ferruh Mavituna

Director

Date: 9 October 2020

The notes on pages 2 to 7 form part of these financial statements.

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Netsparker Limited is a private company, limited by shares, incorporated in England and Wales. The registered address can be found on the company information page. The principal place of business is 220 Industrial Blvd., Suite 102, Austin, TX 78745, United States.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Exemption from preparing consolidated financial statements

The Company, and the group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption from preparing consolidated accounts.

2.3 Going concern

At the year end the company has net liabilities of £3,288,956, the directors consider the company to be a going concern given that included in the company's net liabilities is deferred income which amounts to £7,435,855 and will be released monthly as described in the revenue recognition accounting policy below.

In addition the directors believe that the company is able to meet obligations as they fall due as the company has sufficient cash balances.

2.4 Revenue

Revenue is generated through customer subscriptions which vary from periods of 12 months to 36 months. Revenue is deferred over the period of the subscription and released on a straight line monthly basis.

2.5 Tangible fixed assets

Tangible fixed 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.

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:

Office equipment	-	25%
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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 Income and Retained Earnings.

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income/(expenses)'.

2.11 Dividends

The ownership of the company changed during the prior period and as a result the company is now part of a group. It was identified that prior to the change in ownership there were dividend payments which would be classified as improper under s830 of the Companies Act 2006 due to there not being sufficient distributable reserves. This was a result of the previous incorrect accounting treatment in respect of deferred income, explained in note 10. There have been no further dividend payments since the change of ownership. Further details provided in note 4.

3. Employees

The average monthly number of employees, including directors, during the year was 3 (2018 - 3).

4. Dividends

	2019 £	2018 £
Dividends	-	408,335
	<u>-</u>	<u>408,335</u>

Under s830 of the Companies Act 2006, the company is only entitled to make a distribution out of profits available for the purpose. There were insufficient distributable reserves to support payment of the dividends paid by the company in both the year to 31 December 2017 and the 18 month period to 31 December 2018.

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 January 2019	12,587
Additions	51,810
At 31 December 2019	<u>64,397</u>
Depreciation	
At 1 January 2019	4,997
Charge for the year on owned assets	17,407
At 31 December 2019	<u>22,404</u>
Net book value	
At 31 December 2019	<u>41,993</u>
<i>At 31 December 2018</i>	<u>7,590</u>

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	2,500
At 31 December 2019	<u>2,500</u>

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Debtors

	2019 £	2018 £
Trade debtors	1,821,366	1,131,632
Amounts owed by group undertakings	1,403,435	929,676
Other debtors	141,480	165,341
Prepayments and accrued income	502,854	200,489
Tax recoverable	7,327	-
Deferred taxation	666,827	-
	<u>4,543,289</u>	<u>2,427,138</u>

Legislation was introduced in 2015 reducing the rate of Corporation Tax to 19% commencing from April 2017. In the 2016 budget it was announced that this would further reduce to 17% from 1 April 2020. However, it was announced on the 11 March 2020 that the rate of Corporation Tax would be 19% from 1 April 2020 and also from 1 April 2021.

The deferred tax asset has been provided at 17% as this was the legislated rate as at the year end.

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	414,717	91,646
Amounts owed to group undertakings	1,526,687	1,411,093
Other taxation and social security	20,422	-
Other creditors	29,413	18,990
Accruals and deferred income	6,816,986	3,453,897
	<u>8,808,225</u>	<u>4,975,626</u>

9. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Accruals and deferred income	860,331	1,017,942
	<u>860,331</u>	<u>1,017,942</u>

10. Comparative restatement

The foreign exchange gains made by the company in the prior year of £16,979 have been reallocated from administrative expenses to be shown as other operating (charges)/income on the face of the income statement to be consistent with the current year treatment. There is no profit effect resulting from this adjustment.

NETSPARKER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Contingent liabilities

The company is a guarantor to a credit agreement on behalf of the parent company, Netsparker Holdings Limited, for USD 16 million senior debt and USD 1 million revolving credit. The maximum financial exposure to the company would be the extent of its net assets value.

12. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	-	4,800
	<u>-</u>	<u>4,800</u>

13. Related party transactions

During the period to 31 December 2018, the directors were paid dividends of £276,112. No dividends were declared and paid during the year ended 31 December 2019, see note 4.

14. Parent company

Netsparker Holdings Limited, a company incorporated in the United Kingdom, is the parent company of the smallest group for which consolidated financial statements are drawn up of which the company is a member. The parent company's registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

15. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

The audit report was signed on 9 October 2020 by Andrew Cook (Senior Statutory Auditor) on behalf of Menzies LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.