

PortSwigger Ltd

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 06719143



PortSwigger Ltd

Company Information

Directors	D N Stuttard R J Stuttard P R Blomfield O Whitehouse G D C Kent (resigned 31 March 2022) Y Agyei P D Green
Company secretary	P R Blomfield
Registered number	06719143
Registered office	6 Booths Park Chelford Road Knutsford Cheshire WA16 8ZS
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

PortSwigger Ltd

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 - 28

PortSwigger Ltd

Strategic Report For the Year Ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company is software development and the provision of cyber security services.

PortSwigger Ltd helps customers to secure their web applications and speed up software delivery through their use of its Burp Suite software products, and also through provision of knowledge and education with the Burp Suite Certification and using the free online Web Security Academy, Daily Swig cybersecurity news digest, and PortSwigger research.

Business review

The business continued to experience strong growth over the year to 31 December 2021 whilst adding significant new features to its existing products and launching the Burp Suite certification online exam.

Revenue grew at 21% compared to prior year. Profit before tax % decreased as expected to 38%, compared to 53% in the prior year, reflecting the leasing of brand new office space to provide the business with the capacity needed to expand in order to achieve its future growth plans and the business continued to invest in growth in staff particularly in the areas of research and development and culture.

Principal risks and uncertainties

Business environment and technological risk

To maintain its competitive position the business invests significantly in research and development for both its existing products and services and the delivery to market of new and innovative offerings.

Talent risk

The success of the business is dependent on its people. The business prioritises and continually monitors its culture, investing in its culture team, its people and its workplace to retain and attract top talent.

Business continuity

The business places reliance on its IT systems and key suppliers. The business mitigates these risks by ensuring redundancy of key suppliers and IT systems and by regular review of the business continuity plan.

Liquidity risk

The company mitigates liquidity risk by managing cash through its continuing operations and regular review of cashflow forecasts.

Financial key performance indicators

The directors consider the key performance indicators to be turnover, profit before tax and cash on hand.

	2021 £	2020 £
Turnover	£21,500,693	£17,731,142
Profit before tax	£8,074,794	£9,326,944
Profit before tax %	38%	53%
Cash	£7,618,189	£8,333,452

PortSwigger Ltd

Strategic Report (continued) For the Year Ended 31 December 2021

Future developments

The business will continue to add significant new features to its existing products.

This report was approved by the board on 21 September 2022 and signed on its behalf.

Dafydd Stuttard

D N Stuttard
Director

PortSwigger Ltd

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £6,899,668 (2020 - £7,885,522).

Dividends of £4,750,000 (2020 - £3,500,000) were paid during the year. No dividends relating to the year ended 31 December 2021 were proposed following the year end.

Going concern

After making enquiries, and on the basis outlined in note 2.3 to the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year were:

D N Stuttard
R J Stuttard
P R Blomfield
O Whitehouse
G D C Kent (resigned 31 March 2022)
Y Agyei
P D Green

Qualifying third party indemnity provisions

The company has provided an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Matters covered in the Strategic Report

Disclosures required under 8416(4) of the Companies Act 2006 are commented upon in the strategic report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the company. This includes the principal activities, risk and uncertainties, business review and future developments of the business.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

PortSwigger Ltd

Directors' Report (continued) For the Year Ended 31 December 2021

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 September 2022 and signed on its behalf.

Dafydd Stuttard

D N Stuttard
Director

PortSwigger Ltd

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PortSwigger Ltd

Independent Auditor's Report to the Members of PortSwigger Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PortSwigger Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

PortSwigger Ltd

Independent Auditor's Report to the Members of PortSwigger Ltd (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the 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.

PortSwigger Ltd

Independent Auditor's Report to the Members of PortSwigger Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

As a part of our audit in accordance with United Kingdom Generally Accepted Accounting Practice; and requirements of the Companies Act 2006 we exercise professional judgement and maintain professional scepticism throughout the audit. Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the accounting policies, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work. 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 posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of share options and the useful economic lives of tangible fixed assets;
- Revenue year end cut-off procedures;
- Reconciliation of revenue to cash received
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords, manual journals to revenue and cash, and review of journals posted to least used accounts;
- Discussions with management; including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the year;
- Obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other evidence gathered during the course of the audit;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control; and
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

PortSwigger Ltd

Independent Auditor's Report to the Members of PortSwigger Ltd (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

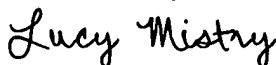
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:



2B0E41CF71AA4DC...

Lucy Mistry (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

Date: 22 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PortSwigger Ltd

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	21,500,693	17,731,142
Cost of sales		(1,871,420)	(1,155,423)
Gross profit		19,629,273	16,575,719
Administrative expenses		(11,605,097)	(7,316,582)
Operating profit	5	8,024,176	9,259,137
Distribution from subsidiary undertaking		-	61,413
Interest receivable and similar income	8	50,618	6,394
Profit before tax		8,074,794	9,326,944
Tax on profit	9	(1,175,126)	(1,441,422)
Profit for the financial year		6,899,668	7,885,522

There was no other comprehensive income for 2021 (2020 - £Nil).

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

PortSwigger Ltd
Registered number: 06719143

Statement of Financial Position
As at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	11		3,423,613		325,148
Current assets					
Debtors due in more than one year	12	2,642,269		1,687,455	
Debtors due within one year	13	565,465		287,314	
Cash at bank and in hand		7,618,189		8,333,452	
		<u>10,825,923</u>		<u>10,308,221</u>	
Creditors: amounts falling due within one year	14	(1,936,503)		(1,998,866)	
Net current assets			<u>8,889,420</u>		<u>8,309,355</u>
Total assets less current liabilities			<u>12,313,033</u>		<u>8,634,503</u>
Creditors: amounts falling due after more than one year	15		(761,714)		-
Provisions for liabilities					
Deferred tax	16		(278,110)		(25,987)
Other provisions	17		(485,404)		-
Net assets			<u><u>10,787,805</u></u>		<u><u>8,608,516</u></u>
Capital and reserves					
Called up share capital	18		100		100
Share option reserve	19		81,882		52,261
Profit and loss account	19		10,705,823		8,556,155
Total equity			<u><u>10,787,805</u></u>		<u><u>8,608,516</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2022

Dafydd Stuttard

D N Stuttard
Director

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

PortSwigger Ltd

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2021	100	52,261	8,556,155	8,608,516
Comprehensive income for the year				
Profit for the year	-	-	6,899,668	6,899,668
Total comprehensive income for the year	-	-	6,899,668	6,899,668
Contributions by and distributions to owners				
Dividends: Equity capital (note 10)	-	-	(4,750,000)	(4,750,000)
Share based payments movement (note 21)	-	29,621	-	29,621
Total transactions with owners	-	29,621	(4,750,000)	(4,720,379)
At 31 December 2021	100	81,882	10,705,823	10,787,805

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2020	100	34,000	4,170,633	4,204,733
Comprehensive income for the year				
Profit for the year	-	-	7,885,522	7,885,522
Total comprehensive income for the year	-	-	7,885,522	7,885,522
Contributions by and distributions to owners				
Dividends: Equity capital (note 10)	-	-	(3,500,000)	(3,500,000)
Share based payments movement (note 21)	-	18,261	-	18,261
Total transactions with owners	-	18,261	(3,500,000)	(3,481,739)
At 31 December 2020	100	52,261	8,556,155	8,608,516

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

PortSwigger Ltd

Statement of Cash Flows For the Year Ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	6,899,668	7,885,522
Adjustments for:		
Depreciation of tangible assets	348,810	197,317
Loss on disposal of tangible assets	795	1,564
Interest received	(50,618)	(6,394)
Taxation charge	1,175,126	1,441,422
(Increase)/decrease in debtors	(1,232,965)	368,949
Increase in creditors	917,272	373,209
Increase in provisions	485,404	-
Share based payments movement	29,621	18,261
Income from subsidiary	-	(61,413)
Corporation tax paid	(1,140,924)	(1,467,000)
Net cash generated from operating activities	7,432,189	8,751,437
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,448,070)	(151,762)
Interest received	50,618	6,394
Cash element of distribution from subsidiary	-	61,413
Net cash used in investing activities	(3,397,452)	(83,955)
Cash flows from financing activities		
Dividends paid	(4,750,000)	(3,500,000)
Net cash used in financing activities	(4,750,000)	(3,500,000)
Net (decrease)/increase in cash and cash equivalents	(715,263)	5,167,482
Cash and cash equivalents at beginning of year	8,333,452	3,165,970
Cash and cash equivalents at the end of year	7,618,189	8,333,452
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,618,189	8,333,452
	7,618,189	8,333,452

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

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

PortSwigger Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the company's operations and its principal activity are set out in the Strategic Report.

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 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 judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The company's business activities, together with its results for the year are set out in the directors' report. The company ended the period to 31 December 2021 in a strong liquidity position with £7.6m of cash and cash equivalents and net assets of £10.8m.

The board has considered the company's financial position and forecasts covering a period of at least the next 12 months to September 2023. The company continues to experience revenue growth at pre COVID levels and has not been materially impacted by the pandemic. The company continually monitors its financial results and utilizes financial models, which have indicated there is no material uncertainty about the company's ability to meet its liabilities over the ensuing 12 month period. For these reasons the accounts have been prepared on a going concern basis.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is derived mainly from the sale of software licences and is recognised at the beginning of each licence period, which is the point at which there are no further obligations to the customer.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

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 resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

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

2.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.8 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.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Leasehold improvements	- between 7 years and the term of lease
IT equipment	- between 14.29% and 33.33% per annum
Furniture and office equipment	- between 10% and 25% per annum
Motor vehicles	- 33.33% per annum

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.

2.9 Development costs

Expenditure on research and development is written off in the year in which it is incurred.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 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.

2.12 Prepayments

Prepaid rental for property leases are measured at transaction price and are repayable to the company by the lessor by offset against future rent, in future periods as determined by the lease agreement.

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.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.14 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 to related parties.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.15 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.

2.16 Dividends

Equity dividends are recognised when they become legally payable.

2.17 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. There are no market vesting conditions.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The provision for decommissioning office fit-out items are capitalised against the cost of the relevant assets and amortised over the useful economic life of these assets. The provision is eventually utilised upon decommissioning.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.19 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.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

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

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 11)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Share option valuation (see note 21)

Another key estimate and judgement relates to determining the fair value of the options at the date of grant and the judgement around the non-market vesting conditions taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that the cumulative amount charged to the income statement recognised over the vesting period presents a reasonableness assessment of options that will likely vest.

- Provisions (see note 17)

Provisions are measured at the best estimate at the end of the year taking into account uncertainties of timing and amount. This estimate is revised annually and takes into account the projected costs of restoring the property.

4. Turnover

The whole of the turnover is attributable to the company's online business.

	2021 £	2020 £
USA	9,492,557	8,191,788
United Kingdom	1,558,799	1,540,837
Rest of Europe	4,300,139	3,544,455
Rest of the World	6,149,198	4,454,062
	<u>21,500,693</u>	<u>17,731,142</u>

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Exchange differences	373,281	85,444
Depreciation of tangible fixed assets	348,809	197,317
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	28,000	24,000
Fees payable to the company's auditor and its associates for accounts preparation services	1,200	1,000
Fees payable to the company's auditor and its associates for taxation services	10,360	15,631
Operating lease charges	<u>1,601,387</u>	<u>211,244</u>

6. Staff

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

	2021 £	2020 £
Wages and salaries	6,363,860	4,655,544
Social security costs	765,932	559,244
Cost of defined contribution scheme	760,947	410,426
	<u>7,890,739</u>	<u>5,625,214</u>

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

	2021 No.	2020 No.
Technology	60	40
Growth: marketing and sales	16	19
Culture and finance	10	4
Non execs	5	5
	<u>91</u>	<u>68</u>

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	345,856	356,263
Company contributions to defined contribution pension schemes	29,720	33,147
	<u>375,576</u>	<u>389,410</u>

During the year retirement benefits were accruing to 3 directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £108,600 (2020 - £113,171).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21,720 (2020 - £13,147).

8. Interest receivable and similar income

	2021 £	2020 £
Interest receivable on prepaid rent	49,919	-
Bank deposit interest receivable	699	6,394
	<u>50,618</u>	<u>6,394</u>

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	932,607	1,479,456
Adjustments in respect of previous periods	(9,604)	(17,361)
Total current tax	923,003	1,462,095
Deferred tax		
Origination and reversal of timing differences	279,707	(19,361)
Adjustments in respect of prior periods	(27,201)	(6,085)
Effect of tax rate change on opening balance	(383)	4,773
Total deferred tax	252,123	(20,673)
Taxation on profit	1,175,126	1,441,422

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	8,074,794	9,326,944
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,534,211	1,772,119
Effects of:		
Expenses not deductible for tax purposes	6,739	52,787
Additional deduction for R&D expenditure	(419,531)	(358,485)
Income not deductible for tax purposes	-	(1,809)
Adjustments to brought forward values	(18)	(4,517)
Adjustments to tax charge in respect of prior periods	(9,604)	(17,361)
Adjustment to deferred tax charge in respect of previous periods	(27,201)	(6,085)
Remeasurement of deferred tax for changes in tax rates	66,746	4,773
Fixed asset differences	23,784	-
Total tax charge for the year	1,175,126	1,441,422

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Taxation (continued)

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the budget on 3 March 2021, and substantively enacted on 24 May 2021. This will affect the calculation of future deferred tax charges.

Deferred tax has been calculated on the rate substantively enacted at the reporting date.

10. Dividends

	2021 £	2020 £
Dividends: £0.0475 per share (2020 - £0.035 per share)	<u>4,750,000</u>	<u>3,500,000</u>

11. Tangible fixed assets

	Leasehold improvements £	Furniture, office & IT equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2021	416,838	564,408	141,400	1,122,646
Additions	2,712,133	735,937	-	3,448,070
Disposals	-	(141,633)	-	(141,633)
At 31 December 2021	<u>3,128,971</u>	<u>1,158,712</u>	<u>141,400</u>	<u>4,429,083</u>
Depreciation				
At 1 January 2021	275,083	420,298	102,117	797,498
Charge for the year	182,958	126,569	39,283	348,810
Disposals	-	(140,838)	-	(140,838)
At 31 December 2021	<u>458,041</u>	<u>406,029</u>	<u>141,400</u>	<u>1,005,470</u>
Net book value				
At 31 December 2021	<u>2,670,930</u>	<u>752,683</u>	<u>-</u>	<u>3,423,613</u>
At 31 December 2020	<u>141,755</u>	<u>144,110</u>	<u>39,283</u>	<u>325,148</u>

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Debtors due after more than one year

	2021 £	2020 £
Prepayments and accrued income	<u>2,642,269</u>	<u>1,687,455</u>

13. Debtors due within one year

	2021 £	2020 £
Trade debtors	153,477	184,240
Other debtors	-	5,023
Prepayments and accrued income	411,988	98,051
	<u>565,465</u>	<u>287,314</u>

14. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	148,243	99,876
Corporation tax	461,583	679,504
Taxation and social security	282,008	194,615
Deferred income	777,259	713,764
Other creditors and accruals	267,410	311,107
	<u>1,936,503</u>	<u>1,998,866</u>

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

	2021 £	2020 £
Other creditors	<u>761,714</u>	<u>-</u>

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

16. Deferred taxation

	2021 £
At beginning of year	25,987
Charged to profit or loss	252,123
At end of year	278,110

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	389,077	51,839
Short term timing differences	(110,967)	(25,852)
	278,110	25,987

17. Provisions

	Dilapidations Provision £
At 1 January 2021	-
Increase in provision during the year	485,404
At 31 December 2021	485,404

The provision will be utilised when fit-out items are removed at the end of the lease or when they are decommissioned.

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100,000,000 (2020 -100,000,000) ordinary shares of £0.000001 each	100	100

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share option reserve

The share options reserves represents the accumulation of the fair value charged to profit or loss for all share options over the vesting period.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

20. Analysis of net debt

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	8,333,452	(715,263)	7,618,189

21. Share based payments

The company operates two enterprise management incentive schemes.

The original scheme ceased to grant options in 2018 and the options vest if the employee is employed over the vesting period which is normally 9 years and 9 months or upon a change of control of the company if sooner. Unexercised options expire 10 years from the date of grant for all employees.

The most recent scheme began granting options during 2020 and is open to all employees. For most employees the only vesting condition is that the options vest if the employee is employed over the 4 year vesting period. Unexercised options expire 10 years from the date of grant for all employees.

There were no modifications to the arrangements during the year.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

22. Share based payments (continued)

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Original scheme				
Outstanding at the beginning of the year	24.40	3,694,200	24.40	3,694,200
Granted during the year		-	-	-
Forfeited during the year		-	-	-
Sub-division of share capital		-	-	-
Outstanding at the end of the year	24.40	3,694,200	24.40	3,694,200
New scheme				
Outstanding at the beginning of the year	95.81	262,371	-	-
Granted during the year	55.89	438,978	95.74	302,259
Forfeited during the year	96.97	(26,039)	95.27	(39,888)
Outstanding at the end of the year	55.45	675,310	95.81	262,371

Of the total number of options outstanding at the end of the year, none (2020 - none) had vested and were exercisable at the end of the year.

The Black-Scholes option pricing model was used to value the equity-settled share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The fair values of the options granted during the year were determined using the Black Scholes Model. The use of this valuation methodology is consistent with generally accepted valuation methodologies, and is considered appropriate given the options have no market vesting conditions.

The share-based remuneration expense comprises:

	2021 £	2020 £
Equity-settled schemes	29,621	18,261

The company did not enter into any share-based payment transactions with parties other than employees during the current or previous periods.

PortSwigger Ltd

Notes to the Financial Statements For the Year Ended 31 December 2021

23. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	1,762,811	143,197
Later than 1 year and not later than 5 years	6,499,622	12,162
Later than 5 years	12,047,200	-
	<u>20,309,633</u>	<u>155,359</u>

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £760,947 (2020 - £410,426). Contributions totalling £78,488 (2020 - £63,089) were payable to the fund at the reporting date and are included in creditors.

25. Controlling party

The ultimate controlling party of the company is deemed to be D N Stuttard.