

Rapid7 International Limited

Report and Financial Statements

Year Ended

31 December 2022

Company Number 07587098



Rapid7 International Limited

Company Information

Directors	Timothy Adams Raisa Litmanovich
Company secretary	FieldFisher Secretaries Limited
Registered number	07587098
Registered office	Fieldfisher Secretaries Limited Riverbank House 2 Swan Lane London EC4R 3TT
Independent auditor	Bishop Fleming LLP 10 Temple Back Bristol BS1 6FL

Rapid7 International Limited

Contents

	Page(s)
Strategic Report	1 - 3
Directors' Report	4 - 6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8 - 11
Statement of Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 - 34

Rapid7 International Limited

Strategic Report For the Year Ended 31 December 2022

The directors present the Strategic Report and the audited financial statements of Rapid7 International Limited ("the Company") for the year ended 31 December 2022.

Principal activity and business review

The principal activity of the Company is the provision of security data and analytics solutions.

Turnover rose in the financial year by £61,055,521 (2021 - £32,876,680), an approximate 66% (2021 - 55%) increase, resulting from the Company's principal activities. The Company reported an operating loss this year of £14,613,454 (2021 - £29,847,680) due to becoming a selling entity during prior years and the revenue, whilst increasing, is not yet at the level required to support the international sales efforts. The Company continued to undertake research to support the continued enhancement of current products and development of new products.

Future developments

It is the intention of the directors to continue to develop the existing activities of the Company.

Principal risks and uncertainties

The Company is in the central phase of its development. The challenge for the Company is to maintain its current development impetus and achieve market acceptance for its products and services. In addition to this, the Company is presented with a number of financial risks which are discussed below:

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchanges.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As of the Balance Sheet date, the Company has no significant concentrations of credit risk. It is the Company's policy to enter into financial instruments with a diversity of creditworthy third parties, and as such, the Company does not expect to incur material losses.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company actively manages its operating cash flows to ensure that it has sufficient funding for its working capital requirements. In addition, the Company also maintains surplus cash for future investment opportunities.

Rapid7 International Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Principal risks and uncertainties (continued)

Risk of economic uncertainties or downturns

Prolonged economic uncertainties or downturns could adversely affect the Company's operations or financial results. Negative conditions in the general economy in either the United Kingdom or abroad, including conditions resulting from financial and credit market fluctuations, changes in economic policy, inflation, foreign currency exchange rate fluctuations, trade uncertainty, including changes in tariffs, sanctions, international treaties, and other trade restrictions, the occurrence of a natural disaster, outbreaks of epidemics or pandemics such as COVID-19, political unrest and social strife, including acts of terrorism, armed conflicts, such as the one between Russia and Ukraine, have caused and could continue to cause a decrease in corporate spending on security offerings or information technology in general and negatively affect the rate of growth of our business.

A substantial downturn within the industry may cause companies to reduce their capital expenditures in general or by specifically reducing their spending on information technology or security offerings. As a result, our current or prospective customers may delay or cancel information technology projects or seek to lower their costs by renegotiating vendor contracts. For example, due to economic volatility as a result of the continued impact of the ongoing COVID-19 pandemic, inflationary pressures and other global events, we have and may continue to see delays in our sales cycle, failures of customers to renew at all or to renew the anticipated scope their subscriptions with us, requests from customers for payment term deferrals as well as pricing or bundling concessions, which, if significant, could materially and adversely affect our business, results of operations and financial condition. To the extent purchases of our offerings are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our offerings. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings.

In addition, adverse economic conditions, including inflation, may also increase the costs of operating our business, including vendor, supplier and workforce expenses. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry or geography. Although we expect that our current cash and cash equivalent balances together with cash flows that are generated from operations and availability under our revolving credit facility, will be sufficient to meet our domestic and international working capital needs and other capital and liquidity requirements for at least the next 12 months, if the economic conditions of the general economy worsen from present levels, our business operations and financial results could be adversely affected.

Ukraine conflict risk

The Russian invasion of Ukraine and rapidly escalating events in the early part of 2022 are causing disruption to business and economic activity in the region and worldwide, contributing to high inflation. The directors of the Company have considered the impact of the conflict and at the outset of the crisis took all reasonable steps possible to ensure financial stability and has concluded that at present there are no significant additional risks to the business.

Key performance indicators (KPIs)

	2022 £	2021 £
Turnover	154,117,522	93,062,001
Operating loss	(14,613,454)	(29,847,680)
Research expenditure	23,852,167	16,902,462

The directors are of the opinion that the KPIs are turnover, operating result, and research expenditure.

Rapid7 International Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Statement by the directors in accordance with s172(1) Companies Act 2006

In accordance with Section 172 of the Companies Act 2006, the directors of the Company have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so have regard to factors noted below:

- a. The likely consequences of any decision in the long term;
- b. The interests of the Company's employees;
- c. The need to foster the Company's business relationships with suppliers, customers and others;
- d. The impact of the Company's operations on the community and the environment;
- e. The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the Company.


As we approach a period of unprecedented challenges around the world, Rapid7 is committed to supporting its communities as a team during these uncertain times. Rapid7's priority remains the health and well-being of all those around while remaining responsive to the security and continuity needs of its customers and prospects as the situation evolves.

The Company's employees are the cornerstone of its business and the Company ensures its common values are shared and spread. To meet standards of excellence, the health, safety and well-being of the Company's employees are key. The directors are dedicated to developing all employees' talents in order to reach the Company's goals.

The Company aims to act responsibly and fairly in how it engages with its customers and suppliers and it aims to protect them by understanding their needs and priorities.

Management operates the business in a responsible manner by maintaining high standards of business conduct and its intention is to consider all members of the Company equally and fairly. Rapid7's strong results are only possible because of the contributions of all the stakeholders, including its employees, customers, partners, and stockholders.

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

DocuSigned by:

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Timothy Adams
Director

Date: 26-Sep-2023

Rapid7 International Limited

Directors' Report For the Year Ended 31 December 2022

The directors present their report and the audited financial statements of Rapid7 International Limited ("the Company") for the year ended 31 December 2022.

Results and dividends

The Statement of Comprehensive Income is set out on page 12 and shows the loss for the year of £16,849,255 (2021 - £31,389,523).

No interim dividend was paid during the year and the directors do not recommend the payment of a dividend for the year (2021 - £Nil).

Directors

The directors who held office during the year and up to the date of approval of the financial statements were:

Richard Moseley (resigned 1 January 2023)
Jeff Kalowski (resigned 1 March 2022)
Peter Kaes (resigned 1 March 2022)
Timothy Adams (appointed 1 March 2022)
Raisa Litmanovich (appointed 1 March 2022)

There was no third party indemnity insurance in place during the year.

Disclosure of items within the Strategic Report

The directors have included statements relating to the principal activity, future developments and financial risk management in the Strategic Report.

Research and development activities

The Company maintains a research and development programme to identify and bring new products to the market place. Research and development takes place in all areas of the business.

Foreign branches

The Company has foreign branches in Denmark, France, Czech Republic, Romania, Korea, Hong Kong and Sweden.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and disabilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment, wherever practicable, in the same or an alternative position and to provide appropriate training to achieve this aim.

Engagement with employees

Employees are involved in, and kept informed about, all aspects of the Company's operations and performance. This is done primarily through a combination of regular, formal and ad hoc meetings held between local management and employees to allow a free flow of information and ideas. Employees are also involved in decisions relating to the direction of the business and the structure of its operations.

The Company seeks to support and encourage its employees and to ensure their well-being. There are a number of reward and recognition schemes in operation as well as a share ownership programme.

Rapid7 International Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Streamlined Energy and Carbon Reporting

Quantification and reporting methodology

This report was compiled by Management. The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Energy and Carbon Reporting ("SECR") requirements were met.

The energy data was collated using existing reporting mechanisms. These methodologies provided continuous records of natural gas and electricity.

The energy data was converted to carbon emissions using the 2020 UK Government GHG Conversion Factors for Company Reporting. The associated emissions are divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity, heating and cooling (scope 2) and in direct emissions that occur as a consequence of company activities (scope 3). During the year the Company only had emissions relating to Scope 1 and 2.

Estimations

The electricity and natural gas energy use was compiled from invoices and meter readings.

The energy used by the Company (in kWh) was as follows:

	2022	2021
Electricity (grid)	417,129	575,595
Natural gas	502,700	965,949
Total gross energy consumed	919,829	1,541,544

The breakdown of emissions associated with the reported energy use (tCO₂e) is:

Scope 1		
Natural gas	92	178
Total Scope 1	92	178
Scope 2		
Electricity (grid)	81	134
Total scope 2	81	134
Total gross emissions	173	312

Intensity Ratio

The chosen primary intensity ratio is total gross emissions in metric tonnes CO₂e (mandatory emissions) per employee.

<u>Tonnes of CO₂e per employee</u>	<u>0.3</u>	<u>0.7</u>
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Rapid7 International Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Streamlined Energy and Carbon Reporting (continued)

Energy efficiency action during current financial year

The management of resources and the need to embed sustainability is an important issue for the Company and the following actions related to reducing energy use were implemented within the current reporting period.

Energy consumption has reduced further in the current year as further lockdowns have resulted in temporary closure of the office.

A result of COVID-19 restrictions, there has been an increase in the use of video conferencing for external meetings and board meetings, reducing the need for travel. The emission saving resulting from these activities has not been quantified, but this practice has resulted in behaviour changes that are expected to continue for the foreseeable future.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

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.

Auditor

The auditor, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

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

DocuSigned by:

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Timothy Adams
Director

Date: 26-Sep-2023

Rapid7 International Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2022

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Rapid7 International Limited

Independent Auditor's Report to the Members of Rapid7 International Limited

Opinion

We have audited the financial statements of Rapid7 International Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss 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.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

Rapid7 International Limited

Independent Auditor's Report to the Members of Rapid7 International Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

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 set out on page 7, 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.

Rapid7 International Limited

Independent Auditor's Report to the Members of Rapid7 International Limited (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.

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:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- the results of our enquiries with management and the directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risk of fraud and whether they have knowledge of actual, suspected, or alleged fraud; and
 - the internal controls established to mitigate the risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and potential indicators of fraud.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud, and incorrect recognition of revenue was identified as the greatest potential area of fraud.

In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override.

We have also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, FRS 101 and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Rapid7 International Limited

Independent Auditor's Report to the Members of Rapid7 International Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management in relation to actual and potential claims or litigation;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Performing detailed testing in relation to the recognition of revenue with a particular focus around the year end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgments made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

As a result of the inherent limitations of an audit, there is a risk that not all irregularities, including a material misstatement in the financial statements or non-compliance with regulation, will be detected by us. This risk increases the further removed compliance with a law and regulation is from the events and transactions reflected in the financial statements, given we will be less likely to be aware of it, or should the irregularity occur as a result of fraud rather than a one off error, as this may involve intentional concealment, forgery, collusion, omission or misrepresentation.

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

 LLP

John Talbot FCA (Senior Statutory Auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL

Date: 28 September 2023

Rapid7 International Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	154,117,522	93,062,001
Administrative expenses		(168,730,976)	(122,909,681)
Operating loss	5	(14,613,454)	(29,847,680)
Interest payable and similar expenses	8	(1,302,053)	(873,940)
Loss before taxation		(15,915,507)	(30,721,620)
Taxation on loss	9	(933,748)	(667,903)
Loss for the financial year and total comprehensive expense		(16,849,255)	(31,389,523)

The results stated above are derived from continuing activities.

The notes on pages 15 to 34 form part of these financial statements.


Rapid7 International Limited

Registered number: 07587098

**Balance Sheet
As at 31 December 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	10	28,477,562	30,606,086
Tangible fixed assets	11	18,643,406	11,798,371
		<u>47,120,968</u>	<u>42,404,457</u>
Current assets			
Debtors: amounts falling due after more than one year	12	7,079,268	5,074,422
Debtors: amounts falling due within one year	12	48,172,104	35,781,669
Cash at bank and in hand		42,723,867	14,952,396
		<u>97,975,239</u>	<u>55,808,487</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(134,933,745)	(130,412,120)
Net current liabilities		<u>(36,958,506)</u>	<u>(74,603,633)</u>
Total assets less current liabilities		<u>10,162,462</u>	<u>(32,199,176)</u>
Non current liabilities			
Creditors: amounts falling due after more than one year	14	(48,057,917)	(36,991,230)
Net liabilities		<u>(37,895,455)</u>	<u>(69,190,406)</u>
Capital and reserves			
Called up share capital	16	211	211
Share premium account	16	19,313,921	19,313,921
Capital contribution reserve	16	60,848,408	12,704,202
Profit and loss account	16	(118,057,995)	(101,208,740)
Total equity		<u>(37,895,455)</u>	<u>(69,190,406)</u>

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

DocuSigned by:

Timothy Adams
 Director
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Date: 26-Sep-2023

The notes on pages 15 to 34 form part of these financial statements.

Rapid7 International Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £	Share premium account £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2021	211	19,313,921	9,012,579	(69,819,217)	(41,492,506)
Comprehensive expense for the year					
Loss for the year	-	-	-	(31,389,523)	(31,389,523)
Capital contribution (note 14)	-	-	1,269,539	-	1,269,539
Share options	-	-	2,422,084	-	2,422,084
Total comprehensive expense for the year	-	-	3,691,623	(31,389,523)	(27,697,900)
At 1 January 2022	211	19,313,921	12,704,202	(101,208,740)	(69,190,406)
Comprehensive expense for the year					
Loss for the year	-	-	-	(16,849,255)	(16,849,255)
Capital contribution (note 16)	-	-	45,911,705	-	45,911,705
Share options	-	-	2,232,501	-	2,232,501
Total comprehensive expense for the year	-	-	48,144,206	(16,849,255)	31,294,951
At 31 December 2022	211	19,313,921	60,848,408	(118,057,995)	(37,895,455)

The notes on pages 15 to 34 form part of these financial statements.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

Rapid7 International Limited is a private company limited by shares, incorporated and domiciled 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 activities are set out in the Strategic Report on page 1.

2. Accounting policies

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 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 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).

These financial statements are prepared on a historical cost basis and are presented in Great British Pounds and are rounded to the nearest pound.

Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Financial Reporting Standard 101 - reduced disclosure exemptions (continued)

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Rapid7, Inc. at 31 December 2022 and these financial statements may be obtained from <https://investors.rapid7.com/>. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures.

New and amended standards and interpretations effective from 1 January 2022

New standards and narrow scope amendments that have been adopted in the annual financial statements for the year ended 31 December 2022, but have not had a significant effect on the Company are:

- Onerous contracts – Costs of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

Going concern

The Company made a loss during the year, after taxation, of £16,849,255 (2021 - £31,389,523), the Company had net current liabilities of £36,958,506 (2021 - £74,603,633) and had total net liabilities of £37,895,455 as at 31 December 2022 (2021 - £69,190,406).

The financial statements have been prepared on a going concern basis, the validity of which depends upon the support of the Company's ultimate parent undertaking. The ultimate parent undertaking has indicated that it will continue to make available such funds as are needed by the Company and in particular will not seek the repayment of the amounts currently made available unless the Company has sufficient cash to make such a repayment. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The ultimate parent company Rapid7, Inc. is the main creditor of the Company and will not seek repayment of the amount unless the Company has sufficient cash to make such a repayment. The directors therefore consider that the Company will be able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The directors have reviewed the current and projected financial position of the Company and have a reasonable expectation that the Company has adequate resources to continue in operational business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

The following principal accounting policies have been applied:

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are recognised within the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Turnover

Performance obligations and timing of revenue recognition

The Company generates products revenue from the sale of cloud-based subscriptions, managed services offerings which utilise our products, and term or perpetual software licenses and associated content subscriptions. The Company also generates professional service revenue from the sale of our deployment and training services related to our solutions, incident response services, penetration testing and security advisory services.

Performance obligations promised in a contract are identified based on the products and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the product or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the products or services is separately identifiable from other promises in the contract.

Revenue is recognised at the time the related performance obligation is satisfied by transferring the promised product or service to a customer. Revenue is recognised when control of the products or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those products or services.

Determining the transaction price

The Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (SSP).

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Turnover (continued)

Costs of obtaining long-term contracts and costs of fulfilling contracts

Costs of obtaining long-term contracts relate to commission expenses paid to internal sales personnel and partner referral fees that are incremental costs to obtaining customer contracts. These costs are recorded as a debtor on the Balance Sheet. Costs to obtain a contract for a new customer, up-sell or cross-sell are amortised on a straight line basis over an estimated period of benefit of five years as sales commissions on initial sales are not commensurate with sales commissions on contract renewals. The estimated period of benefit is determined by taking into consideration the contractual term and expected renewals of customer contracts, our technology and other factors, including the fact that commissions paid on renewals are not commensurate with commissions paid on initial sales transactions. The carrying amount of assets recognised for costs to obtain contracts is periodically reviewed to determine whether events or changes in circumstances have occurred that could impact the period of benefit. Commissions paid relating to contract renewals are deferred and amortised on a straight-line basis over the related renewal period. Costs to obtain a contract for professional services arrangements are expensed as incurred as the contractual period of our professional services arrangements are one year or less.

We capitalise costs incurred to fulfil our contracts that relate directly to the contract, are expected to generate resources that will be used to satisfy our performance obligations and are expected to be recovered through revenue generated under the contract. Contract fulfilment costs are amortised on a straight-line basis over the estimated period of benefit and recorded as cost of products in the Statement of Comprehensive Income.

Practical Exemptions

The Company has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Pensions

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 Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting periods, which end on the date on which the relevant employees become fully entitled to the award. Fair value is based upon the parent company's stock price on the date of grant. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional on a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance conditions are satisfied.

At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Statement of Comprehensive Income, with a corresponding entry recorded in creditors for the amount recharged by the ultimate parent undertaking, Rapid7, Inc., and the remaining amount through equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Statement of Comprehensive Income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Statement of Comprehensive Income.

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 an expense 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.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Intangible fixed assets

Intangible fixed assets comprising intellectual property are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intellectual property is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 3 to 10 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such costs include the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Depreciation is provided on the following basis:

L/Term leasehold property	- Shorter of the useful life of the asset or the lease term
Fixtures and fittings	- 3-5 years straight line
Office equipment	- 3 years straight line
Computer equipment	- 3 years straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial instruments

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company does not have any financial assets classified as fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI) at 31 December 2022.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The assets that are classified at amortised cost are mainly intercompany and other receivables. The Company holds these assets and does not factor or sell them.

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, they are offset.

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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

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

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

Impairment of intangibles

Determining whether there are indicators of impairment of the Company's intellectual property. Intellectual property is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of intellectual property has been impaired, for example due to a change in the business climate or technological advancements. In order to determine if the value of intellectual property has been impaired, the cash-generating unit to which intellectual property has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data.

Allowance for doubtful debts

The probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Statement of Comprehensive Income.

Impairment of intercompany loans

Impairment provisions for amounts due between companies across the Group are recognised based on a forward looking expected credit loss model. Management has reviewed the intercompany loans granted to and by the entity. Based on their assessment they believe that credit risk has not increased significantly since initial recognition and there is no difference between the contractual and expected future cash flows of those intercompany loans, which have all been documented. As a result, none of those loans have been credit impaired at the reporting date. Management will keep monitoring at each reporting date.

Allocation of revenue for bundled sales

The Company determines there to be a significant accounting estimate in relation to the allocation of revenue for bundled sales. The allocation is based on historic data which is believed to be the best representation of the fair value of sales for each line item.

Judgement in identifying whether a contract includes a lease

At inception of a contract, an assessment is made whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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

Assessment as to whether the right-of-use assets are impaired

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

Incremental borrowing rates used to measure lease liabilities

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities (notes 13 and 14) and the corresponding right-of-use assets (note 11).

To determine the incremental borrowing rate the Company obtains a rate based on its credit rating and the term of the lease. The Company used incremental borrowing rates specific to each lease which ranged between 5% and 7%.

Capitalisation of development costs

Determine whether expenditure on development satisfies the requirements for it to be capitalised as an intangible asset. Factors taken into consideration in reaching such a decision are the technical feasibility of completion of the asset and whether it will be available for sale; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development.

The Company's directors are of the opinion that there are no other estimates and assumptions that have a significant risk of materially adjusting the carrying value of assets and liabilities for the Company within the next financial year.

Share-based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes model. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in ultimate parent, Rapid7, Inc.'s annual report.

Market rate of interest

To estimate an arm's length interest rate for group loans the Company uses the groups existing commercial credit facility as a starting point, and adjusts this for specific condition such as the term and security. See note 14.

Costs of obtaining long-term contracts

When estimating incremental costs to obtaining long-term customer contracts, the estimated period of benefit is determined by taking into consideration the contractual term and expected renewals of customer contracts, our technology and other factors. See note 4.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Turnover

Turnover has entirely arisen in line with the Company's principal activity. 85% of the Company's turnover (2021 - 87%) is attributable to geographical markets outside the United Kingdom.

	2022 £	2021 £
Contract liabilities		
At 1 January	76,963,112	50,258,622
Amounts included in contract liabilities that were recognised as revenue during the period	(127,617,437)	(76,784,653)
Amounts billed in advance of performance and not recognised as revenue during the period	146,853,432	102,599,812
Other movements	(1,618,595)	889,331
At 31 December	<u>94,580,512</u>	<u>76,963,112</u>

Contract liabilities are included within "creditors" on the face of the Balance Sheet. They arise from contracts that can take a few years to complete, because cumulative payments received from customers at each Balance Sheet date do not necessarily equal the amount of revenue recognised on the contracts. There are no contract assets in 2022 or 2021.

The amount of incremental costs to obtain a contract which have been recognised as an asset is £10,594,742 (2021 - £8,631,332) and the amount of costs recognised as an expense in the period is £3,415,992 (2021 - £2,367,416). No amount has been impaired in 2022 or 2021.

The amount of costs to fulfil contracts which have been recognised as an asset is £179,719 (2021 - £117,316) and the amount of costs recognised as an expense in the period is £85,792 (2021 - £45,116). No amount has been impaired in 2022 or 2021.

5. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	2,110,422	1,530,171
Amortisation of intangible assets	6,302,803	4,491,891
Amortisation of right-of-use assets	816,496	984,931
Fees payable to the Company's auditor for the audit of the Company's annual accounts	52,450	39,500
Research and development - current year's expenditure	23,852,167	16,902,462
Exchange differences	(2,426,913)	3,166,576
Share based compensation	<u>10,031,465</u>	<u>6,907,475</u>

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

6. Employees

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

	2022 £	2021 £
Wages and salaries	30,183,074	22,166,508
Social security costs	5,099,634	4,840,440
Share based compensation	10,031,465	6,907,475
Cost of defined contribution scheme	2,149,258	1,415,805
	<u>47,463,431</u>	<u>35,330,228</u>

The average monthly number of employees, including the directors, during the year was 545 (2021 - 417).

A defined contribution pension scheme is operated by the Company on behalf of the employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £2,149,258 (2021 - £1,415,805). Company contributions amounting to £1,711 (2021 - £1,199) were payable to the fund at year end and are included in creditors.

7. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	1,572,782	4,337,513
Company contributions to defined contribution pension schemes	4,000	4,000
	<u>1,576,782</u>	<u>4,341,513</u>

During the year, one director accrued retirement benefits (2021 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,576,782 (2021 - £4,341,513).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2021 - £4,000).

During the year, one director received shares under the long term incentive schemes (2021 - 1). The value of the benefit provided on exercise of share options has been included in the directors' emoluments.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

8. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable	4,110	-
Loans from group undertakings	534,505	301,958
Interest payable on leases	763,438	571,982
	<u>1,302,053</u>	<u>873,940</u>

9. Taxation on loss

	2022 £	2021 £
Corporation tax		
UK Corporation tax expense on loss for the year	36,916	68,766
Foreign tax suffered	896,832	599,137
Taxation on loss	<u>933,748</u>	<u>667,903</u>
Factors affecting tax charge for the year		

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

	2022 £	2021 £
Loss on ordinary activities before taxation	<u>(15,915,507)</u>	<u>(30,721,620)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(3,023,946)	(5,837,108)
Effects of:		
Expenses not deductible	6,591	1,322,759
Tax impact of share options	544,450	-
Effects on overseas tax rates	726,434	485,301
Deferred tax not recognised	2,747,673	4,605,201
Income not taxable	(99,441)	(57,839)
Tax rate changes	(4,929)	37,704
Write off irrecoverable RDEC	36,916	22,297
Exempt amounts	-	89,588
Total taxation charge for the year	<u>933,748</u>	<u>667,903</u>

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

9. Taxation on loss (continued)

Factors that may affect future tax charges

The effects of changes to the corporation tax rates substantively enacted as part of the Budget of 3 March 2021 included a commitment to raise corporation tax to 25% from April 2023. This change was substantively enacted on 24 May 2021.

There were no other factors that may affect future tax charges.

10. Intangible assets

	Intellectual property £
Cost	
At 1 January 2022	43,494,071
Additions	4,174,279
At 31 December 2022	<u>47,668,350</u>
Amortisation	
At 1 January 2022	12,887,985
Charge for the year	6,302,803
At 31 December 2022	<u>19,190,788</u>
Net book value	
At 31 December 2022	<u><u>28,477,562</u></u>
At 31 December 2021	<u><u>30,606,086</u></u>

Intellectual property represents amounts paid to a related party, Rapid7 LLC for proprietary software products and service offerings available under the Rapid7 brand and development costs capitalised which relate to the improvement of the intellectual property.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Asset in progress £	Right-of-use assets £	Total £
Cost						
At 1 January 2022	5,079,785	1,349,688	2,182,381	72,401	8,064,067	16,748,322
Additions	3,585,122	604,157	1,144,638	100,209	4,337,827	9,771,953
Disposals	(222,636)	(259,406)	(113,023)	-	-	(595,065)
At 31 December 2022	<u>8,442,271</u>	<u>1,694,439</u>	<u>3,213,996</u>	<u>172,610</u>	<u>12,401,894</u>	<u>25,925,210</u>
Depreciation						
At 1 January 2022	778,244	474,878	1,135,698	-	2,561,131	4,949,951
Charge for the year	833,977	402,859	873,586	-	816,496	2,926,918
Disposals	(222,636)	(259,406)	(113,023)	-	-	(595,065)
At 31 December 2022	<u>1,389,585</u>	<u>618,331</u>	<u>1,896,261</u>	<u>-</u>	<u>3,377,627</u>	<u>7,281,804</u>
Net book value						
At 31 December 2022	<u>7,052,686</u>	<u>1,076,108</u>	<u>1,317,735</u>	<u>172,610</u>	<u>9,024,267</u>	<u>18,643,406</u>
At 31 December 2021	<u>4,301,541</u>	<u>874,810</u>	<u>1,046,683</u>	<u>72,401</u>	<u>5,502,936</u>	<u>11,798,371</u>

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Right-of-use assets	9,024,267	5,502,936
Long-term leasehold property	7,052,686	4,301,541
	<u>16,076,953</u>	<u>9,804,477</u>

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2022 £	2021 £
Tangible fixed assets owned	9,619,139	6,295,435
Right-of-use tangible fixed assets	9,024,267	5,502,936
	<u>18,643,406</u>	<u>11,798,371</u>

Information about right-of-use assets is summarised below:

Net book value

	2022 £	2021 £
Right-of-use assets	<u>9,024,267</u>	<u>5,502,936</u>

Amortisation charge for the year ended

	2022 £	2021 £
Right-of-use assets	<u>816,496</u>	<u>984,931</u>

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Debtors

	2022 £	2021 £
Due after more than one year		
Assets recognised for costs to fulfil contracts	85,810	61,361
Assets recognised for costs to obtain contracts	6,993,458	5,013,061
	<u>7,079,268</u>	<u>5,074,422</u>
	2022 £	2021 £
Due within one year		
Trade debtors	38,935,085	29,662,338
Amounts owed by group undertakings	3,763,513	1,036,859
Other debtors	85,534	85,534
Prepayments and accrued income	1,413,249	1,000,588
Tax recoverable	279,530	322,124
Assets recognised for costs to fulfil contracts	93,909	55,955
Assets recognised for costs to obtain contracts	3,601,284	3,618,271
	<u>48,172,104</u>	<u>35,781,669</u>

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

13. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	593,336	169,230
Amounts owed to group undertakings	46,837,001	55,739,852
Other taxation and social security	2,638,469	3,870,462
Lease liabilities	680,699	347,739
Contract liabilities	79,485,541	65,053,560
Accruals	4,698,699	5,231,277
	<u>134,933,745</u>	<u>130,412,120</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

14. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Loans from group undertakings	21,279,303	18,729,861
Lease liabilities	10,249,903	6,307,066
Other creditors	1,433,740	44,751
Contract liabilities	15,094,971	11,909,552
	<u>48,057,917</u>	<u>36,991,230</u>

Loans from group undertakings are unsecured, bearing interest at 0.12% per annum and is repayable by 30 April 2024. Interest payable below market rate has been included as a capital contribution.

15. Deferred tax

Deferred tax assets are only recognised for tax losses arising where it is probable future taxable profits will be available against which to use these losses. The Company has losses totalling £123,536,322 (2021 - £97,513,229) for which a deferred tax asset has not been recognised.

16. Called up share capital and reserves

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
211 (2021 - 211) Allotted, called up and fully paid shares of £1 each	<u>211</u>	<u>211</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

On 19 October 2022 the Company received a capital contribution from its parent Rapid7 International Holdings Limited of \$51,715,824 (£45,911,705).

The Company has the following reserves:

Called up share capital

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

Share premium account

This reserve records the amount above the nominal value received for shares issued.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

16. Called up share capital and reserves (continued)

Capital contribution reserve

The capital contribution reserve represents capital contributions by the Company's parent undertaking. Equity-settled share based payment expense recognised in respect of options and restricted stock units in the ultimate parent company, Rapid7 Inc. are treated as a capital contribution from the ultimate parent.

Profit and loss account

The profit and loss account reserve represents cumulative profits, losses and total other recognised gains or losses made by the Company, including distributions to, and contributions from, the parent company.

17. Share-based payments

In July 2015, the board of directors adopted and the stockholders of the ultimate parent company, Rapid7, Inc., approved the 2015 Equity Incentive Plan (the 2015 Plan). As of 31 December 2022, shares of common stock authorised to be issued under the 2015 Plan totalled 20,185,353 (2021 - 17,877,553) and there were 3,811,978 (2021 - 3,102,969) shares of common stock available for grant.

On 17 July 2015, a registration statement on Form S-8 was filed with the Securities and Exchange Commission registering 800,000 shares of common stock reserved under the 2015 Employee Stock Purchase Plan (ESPP) of the ultimate parent company Rapid7, Inc. As of 31 December 2022, shares of common stock in the ultimate parent company Rapid7, Inc. authorised to be issued under the ESPP totalled 4,155,805 (2021 - 3,578,855) and there were 2,484,322 (2021 - 2,125,686) shares of common stock available for grant.

Under the ESPP, employees may set aside up to 15% of their gross earnings, on an after-tax basis, to purchase common shares in the ultimate parent company Rapid7, Inc. at a discounted price, which is calculated at 85% of the lesser of: (i) the market value of the Company's common stock at the beginning of each offering period, and (ii) the market value of the Company's common stock on the applicable purchase date.

The Company measures and recognises compensation expense for all stock options, restricted stock units (RSUs) and common stock issued pursuant to its employee stock purchase plan based on the estimated fair value of the award on the grant date. Stock-based compensation expense is recognised on an accelerated basis over the requisite service period. The vesting period for the Company's awards are generally four years. As these are Group plans, the cost that is attributable to Rapid7 International Limited, is recognised on a per employee basis.

The expense recognised within the Statement of Comprehensive Income in respect of employee services received during the year for RSUs is £9,577,909 (2021 - £6,516,846) and the expense recognised in relation to the ESPP is £453,556 (2021 - £390,629)

18. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 not to disclose transactions with group companies, on the basis that it is 100% controlled within the group and its parent undertaking, Rapid7, Inc., prepares consolidated financial statements which are publicly available.

Rapid7 International Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

19. Controlling party and ultimate parent company

The immediate parent undertaking of the Company is Rapid7 International Holdings Limited, a company incorporated in England and Wales. The registered office for Rapid7 International Holdings Limited is Riverbank House, 2 Swan Lane, London, England, EC4R 3TT.

The ultimate parent company and ultimate controlling party is Rapid7, Inc., a company incorporated in Delaware, United States of America.

The only group in which the results of the Company are consolidated is that headed by Rapid7, Inc. Copies of these consolidated financial statements are available from <https://investors.rapid7.com/>.

20. Post balance sheet events

There have been no significant events affecting the Company since the year end.