DARKTRACE

Leading Autonomous Cyber AI

This document comprises a registration document (the "**Registration Document**") relating to Darktrace plc (the "**Company**") prepared in accordance with the prospectus regulation rules (the "**Prospectus Rules**") of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**"). The Registration Document has been approved by the FCA as competent authority under the UK Prospectus Regulation. The FCA only approves the Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) No 2017/1129 as amended by The Prospectus (Amendment etc.) (EU Exit) Regulations 2019, which is part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time (the "**UK Prospectus Regulation**") and such approval should not be considered as an endorsement of the Company or the quality of the Shares that are the subject of this Registration Document. This Registration Document will only be made available to the public in accordance with the Prospectus Rules.

The directors of the Company, whose names appear on page 31 of this Registration Document (the "**Directors**"), and the Company, accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, the information contained in this Registration Document is in accordance with the facts and makes no omission likely to affect the import of such information.

This Registration Document should be read in its entirety. See Part 1: "*Risk Factors*" for a discussion of certain risks and other factors that could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

Darktrace plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 13264637)

The contents of this Registration Document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, independent adviser or tax adviser.

This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by any person other than the Company and its Directors, as to the accuracy, completeness, verification or sufficiency of the information contained herein and nothing contained in this Registration Document is, or shall be relied upon as, a promise or representation by any of the Company's advisers or any of their respective affiliates as to the past, present or future. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or the Directors. Without limitation, the contents of the website of the Group do not form part of this Registration Document and information contained therein should not be relied upon by any person.

The date of this Registration Document is 12 April 2021.

Notice to overseas shareholders

The ordinary shares (the "**Shares**") of the Company referred to in this Registration Document have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"). The Shares may not be offered or sold in the United States, except to qualified institutional buyers, as defined in, and in reliance on, the exemption from the registration requirements of the U.S. Securities Act provided in Rule 144A under the U.S. Securities Act ("**Rule 144A**") or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Any sellers of the Shares may be relying on the exemption from the provisions of section 5 of the U.S. Securities Act provided by Rule 144A. Outside of the United States, Shares may only be offered in offshore transactions as defined in Regulation S of the U.S. Securities Act. No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Dubai, Hong Kong, Japan, Singapore and Switzerland. This Registration Document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Shares have not been and will not be registered or qualified for distribution by this Registration Document under the applicable securities laws of Australia, Canada, Dubai, Hong Kong, Japan, Singapore and Switzerland. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia or Japan or to any person located or resident in Canada. The Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Registration Document. Any representation to the contrary is a criminal offence in the United States.

The distribution of this Registration Document and the offer and sale of the Shares in certain jurisdictions may be restricted by law, including, without limitation, the United States, Australia, Canada, Dubai, Hong Kong, Japan, Singapore and Switzerland. No action has been or will be taken by the Company, its Directors or its shareholders to permit a public offering of the Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Registration Document (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Registration Document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Registration Document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, no actions have been or will be taken to permit a public offering of the Shares under the applicable securities laws of any jurisdiction, including the United States, Australia, Canada, Dubai, Hong Kong, Japan, Singapore, South Africa and Switzerland. Accordingly, subject to certain exceptions, the Shares may not be offered, sold or delivered within the United States, Australia, Canada, Dubai, Hong Kong, Japan, Singapore, South Africa and Switzerland.

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Part 1

RISK FACTORS

The Group is subject to a number of risks. The reader should carefully consider the risk factors associated with the Group's business and the industry in which it operates together with all information contained in this Registration Document including in particular, the risk factors described below.

The risk factors described below are not an exhaustive list or explanation of all risks applicable to the Group. The risk factors detailed below and additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, financial condition, cash flow and results of operations.

Risks relating to the Group's business

The Group could be negatively impacted by the failure of its systems or compromise of its data, through cyber attack, cyber intrusion, insider threats or otherwise.

As a provider of security solutions, the Group has in the past been, and may in the future be, specifically targeted by bad actors for attacks intended to circumvent the Group's own security capabilities. A successful attack or other incident that compromises the Group's own data or results in an interruption of service (whether or not customer data is compromised) could have a significant negative effect on its operations, reputation, financial resources, and the value of its intellectual property. In addition to traditional attacks, the Group, in common with other organisations during the COVID-19 global pandemic, has also seen an increase in attempted phishing and social engineering attacks. It cannot be guaranteed that any of the efforts undertaken by the Group to manage this risk will be effective in protecting it from such attacks. If a successful attack on the Group's information technology system occurs, the market perception of the effectiveness of the Cyber AI Platform's security measures could be harmed and the Group's reputation and credibility could be materially damaged.

There is also a risk of internally generated misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in Darktrace's information systems and networks. For example, Darktrace could face an insider threat in the event an employee takes its intellectual property and posts it on the internet or sells it, or if an employee puts a "backdoor" in the code or otherwise compromises the platform. One of its appliances might be stolen and reverse engineered or parties may attempt to penetrate its platform to gain access to its data and/or systems. Darktrace may experience threats to its data and systems, including malicious codes and viruses, phishing and other cyber attacks. The number and complexity of these threats continue to increase over time. The Group could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, it could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. While the Directors believe that the Group has not experienced, from any source, any material system failure to date, if such an event were to occur and cause interruptions to its operations, it could result in a material disruption of its development programs and its business operations. To the extent that any cyber attack were to result in a loss of, or damage to, its data applications, or inappropriate disclosure of financial or confidential information, Darktrace could incur liability.

Although the Group develops and maintains systems and controls designed to prevent these events from occurring and has a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes requires ongoing monitoring and updating as cyber attacks become increasingly sophisticated. Moreover, despite the Group's efforts, the possibility of these events occurring cannot be eliminated entirely. In addition, there can be no assurance that its internal information technology system's efforts to implement adequate security and control measures will be sufficient to protect against breakdowns, service disruption, data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a cyber attack, industrial espionage attacks or insider threat attacks which could result in financial, legal, business or reputational harm, resulting in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group is unable to develop and enhance its platform to adapt to the increasingly sophisticated nature of cyber attacks, it could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's customers operate in markets characterised by rapidly changing technologies and business plans, which require them to adopt increasingly complex IT infrastructure that incorporates a variety of appliances, software applications, operating systems and networking protocols. As the Group's customers' businesses, technologies and IT infrastructure grow more complex, the Group expects them to face new and increasingly sophisticated methods of cyber attack. In the face of this increased risk of cyber attack across a customer's ever expanding digital estate, the Group must ensure that its Cyber AI Platform effectively identifies and responds to these advanced and evolving attacks without disrupting the performance of customers' IT systems. As a result, the Group is dependent upon its ability to respond to the rapidly changing needs of customers by developing or introducing new offerings and by continually monitoring its platform for new methods of cyber attack.

In addition, any failure by the Group to anticipate and effectively respond to changes in the cyber security market, develop new or enhanced technologies or processes or to extend the Group's offering to new and evolving platforms, operating systems or appliances could materially adversely affect the Group's financial condition, operating results and prospects. There may be delays in its internally planned release dates of new features and capabilities, and there can be no assurance that new features or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against the Group, any of which could harm the Group's business. Moreover, the design and development of new products, features and capabilities may require substantial investment, and there can be no assurance that the results of such investments will be successful. If customers do not widely adopt the Group's new technology or the Group fails to anticipate the evolving cyber security threats facing its customers, this could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group may be unable to develop and enhance its platform to meet the changing cyber protection demands of its customers.

The Group derives and expects to continue to derive substantially all of its revenues and cash flows from the Cyber AI Platform, as well as any future platforms yet to be developed, for the foreseeable future. As such, the market acceptance of the Cyber AI Platform is, and any future platforms will be, critical to the Group's continued success. Demand for the Group's platform is affected by a number of factors beyond its control, including the timing of development and release of new products by the Group's competitors, technological changes, and growth or contraction in the wider cyber security market. It is possible that the proliferation of machine data may lead to an increase in the data analysis demands of customers, and the Group's software may not be able to scale and perform to meet those demands.

The Group may also not be able to develop new products in sufficiently fast timeframes or be able to sell its products at desirable prices, nor is there any assurance that enhancements to the platform and technology or new features or capabilities will be compelling to customers or gain market acceptance. Customers might choose to unsubscribe from the Group's technology services and companies generally might shift away from AI to more traditional security service providers, which rely on rules-based technology instead. As such, revenue and profitability may be lower than anticipated or it may take longer to generate revenue. Investments in research and development ("R&D"), irrespective of the amount invested, may not result in significant design improvements, marketable products or features, or may result in products that are more expensive or attract less customer demand than anticipated. In addition, many of the Group's competitors expend considerable funds on their respective R&D programmes, and those that do not may be acquired by larger companies that would allocate greater resources to such programmes. Any failure to maintain adequate R&D resources or to compete effectively with competitor's product offerings would give an advantage to such competitors and may harm the Group's business, results of operations and financial condition.

Actual, possible or perceived defects or vulnerabilities in the Group's platform, the failure of the Group's platform to respond to a cyber attack or the misuse of the Group's platform could harm the Group's reputation and divert resources.

Increasingly, companies are subject to a wide variety of attacks on their systems and networks on an ongoing basis. Though designed to identify and counter attackers once they are within an organisation's digital perimeter and respond to attacks within a timescale that prevents material harm, the Group's platform may itself be vulnerable to such attacks, causing it to fail to help secure networks, temporarily interrupt customers' networking traffic, and fail to interrupt or prevent viruses or similar threats. If the Group's platform is subject to an attack, its cyber analysts as well as R&D employees will be deployed to mitigate the attack's impact. The shift in internal focus will divert resources away from customers and R&D initiatives. To the extent that any disruption were to result in a loss of, or damage to, its data applications, or inappropriate disclosure of financial or confidential information, the Group could incur liability and the further development and commercialisation of its product candidates could be delayed.

Attacks may also be of a sort that cannot presently be interrupted, and the Group might be unable to respond to attacks within a timescale that prevents material harm. In addition, the failure to distribute appropriate updates on a timely basis or the failure of customers to implement such updates could result in a failure to effectively update customers' systems and thereby leave customers vulnerable to the latest security threats. In some instances, the Group may not be able to develop appropriate updates within an acceptable period of time or at all. Moreover, as the Group's platform is adopted by an increasing number of customers, it is possible that attackers will increasingly focus on finding ways to directly target and evade detection by the Cyber AI Platform. It is also possible that an attack that is detected is not properly acted on by the customer, an attack is made to a part of a customer network that Darktrace is not protecting, or an attack is made on a third party that is not a customer of Darktrace but is affiliated with a customer of Darktrace, all of which is outside of Darktrace's control. The Group's business would be harmed if any of the events described above caused its customers or potential customers to believe the Group's platform is unreliable. An actual or perceived failure of the Group's platform to identify and respond to an attack could adversely affect the market's perception of the efficacy of the Group's platform and current or potential customers may look to the Group's competitors for alternatives to the Group's platform. This could have a negative impact on the Group's business, results of operations, financial condition and prospects.

The Group's artificial intelligence algorithms may not operate properly or as expected which could detrimentally impact its platform's effectiveness.

Artificial intelligence algorithms may not operate properly as expected which could negatively impact the Group's ability to respond to attacks within a timescale that prevents material harm. AI is the core of the Cyber AI Platform. As with many developing technologies, AI presents risks and challenges that could affect its algorithms' further development, adoption and use in the Group's business. AI is a novel technology, its acceptance is subject to change and there may be future backlash against AI technology or certain AI use cases. AI algorithms may be flawed. Datasets may be insufficient, of lesser quality than expected, or contain biased information. If the recommendations, forecasts, responses or analyses that AI applications produce are deficient or inaccurate, the Group could be subject to competitive harm, potential legal liability, and brand or reputational harm. Though the Group's technologies and business practices are designed to mitigate many of these risks, if Darktrace enables or offers AI solutions that fail to operate as expected it could have a detrimental impact on business operations.

The Group's artificial intelligence algorithms may be undermined by other AI technologies deployed by bad actors or otherwise. Although the Group's technologies and business practices are designed to mitigate many of the risks posed by other AI technology, it is possible that offensive AI is developed that can outperform the Group's algorithms or is designed to confuse the Group's AI. The Group's technology could be subverted by offensive AI causing it to produce a large number of false reports as a diversion, or the platform could be misused and the results posted online. If offensive AI is developed and spread at low cost to cyber criminals, the bar to launch sophisticated offensive AI attacks is significantly lowered. Moreover, advancements in technology and artificial intelligence generally may also prevent its artificial intelligence technology from working as expected. The Group cannot anticipate if an "unhackable" device or email will be developed, changes in encryption or data protection that prevents companies from having access to the data in their own business would prevent Darktrace from effectively operating or if an open source version of the code will be developed. These advancements could negatively impact Darktrace's operations.

The Group may face reputational risk arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy Corporation plc ("Autonomy") and related matters.

Two former non-executive directors of Darktrace Holdings Limited, Sushovan Hussain and Michael Lynch, and one employee, Stephen Chamberlain, have been charged in the U.S., and in the case of Mr. Hussain, convicted, for their role in unlawful activities related to the sale of Autonomy to Hewlett Packard ("**HP**") in 2011, and subsequent related matters.

In October 2011, HP completed the acquisition of Autonomy. In November 2012, HP announced a number of allegations, including that Autonomy artificially inflated its reported revenues, revenue growth and gross margins, and HP wrote-off a significant portion of the value of Autonomy. Criminal proceedings against Messrs. Hussain, Lynch and Chamberlain, and civil proceedings against Messrs. Hussain and Lynch, ensued.

In November 2016, and subsequent to his resignation as a non-executive director of the Group, the U.S. government charged Mr. Hussain with numerous counts of wire fraud and conspiracy to commit wire fraud, and requested forfeiture, and charged him with a further count of securities fraud in 2017. He was convicted at trial in April 2018, with the conviction upheld on appeal in August 2020. In November 2018, the U.S. government charged Messrs. Lynch and Chamberlain with various criminal offences and requested forfeiture. An extradition hearing for Mr. Lynch in the U.K. began in February 2021, with a ruling not expected before May 2021. Mr. Chamberlain consented to U.S. jurisdiction, with the timing of his case currently linked to the outcome of Mr. Lynch's extradition proceedings.

In the U.K., in 2013, the Serious Fraud Office ("**SFO**") opened a criminal investigation concerning the sale of Autonomy. That investigation was closed in 2015 on the basis of insufficient evidence on certain aspects of the investigation and by a ceding of jurisdiction to the U.S. on the remaining aspects (although this does not prevent the SFO from reconsidering its position with respect to its U.K. investigation in the future). Messrs. Hussain and Lynch were sued in the High Court of England & Wales by HP. Proceedings (in which certain current Group directors and employees gave written and/or oral evidence for Messrs. Hussain and Lynch) concluded in January 2020, with judgment expected in 2021.

In 2012, Messrs. Hussain and Lynch, together with other former executives of Autonomy, founded Invoke Capital Partners ("**Invoke**"), which invests in European technology companies. In 2013, Invoke invested capital into the Group upon its foundation, and funded the operations of the Group from its inception in 2013 through to 2015 by way of loans.

In addition to acting as non-executive directors of Darktrace Holdings Limited, Messrs. Hussain and Lynch (together with other Invoke employees) provided management advice to the Group from time-to-time pursuant to a Supply of Services Agreement, between Invoke and the Group, which has been terminated, effective at Admission. Since founding, Mr. Lynch was a member of the Group's Advisory Council, and in 2021 moved to the Group's Science & Technology Council. Mr. Chamberlain became an employee of the Group in April 2016. Mr. Chamberlain is currently on administrative paid leave. Other members of the Group's executive management team, and other Group employees, previously worked at Autonomy. Certain of those individuals were employees of, and investors in, Invoke.

Negative publicity or other events associating the Group and its employees with Autonomy or Messrs. Hussain, Lynch or Chamberlain (regardless of their foundation or accuracy), such as coverage of criminal or civil litigation or related asset enforcement proceedings, or adverse comments in the civil judgment on the evidence of current Group directors or employees, could adversely affect the Group's reputation in the cyber security, financial, investment and other communities, and could also adversely affect the Group's future share price (including in the event of share sales following an award of damages or criminal penalties or order of forfeiture). If such events cause the Group's customers or potential customers, partners, investors or other stakeholders to negatively associate the Group with Autonomy and the allegations related to its sale, it could result in significant damage to the Group's reputation and result in a material adverse effect on the Group's business and share price. Such publicity or other events could also intrude on the Group's normal business operations, divert the attention of management and materially disrupt the conduct of the business. If any of the foregoing occurs, it could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may face potential liability in relation to possible money laundering offences arising out of its historic funding by Invoke.

Investment by Messrs. Lynch and Hussain and/or their connected persons in Invoke, the former controlling shareholder of the Group, creates a risk for the Group as regards the commission of money laundering offences in the U.K. under Part 7 of the Proceeds of Crime Act 2002, and of similar offences in the U.S.

In 2013, Invoke invested capital into the Group upon its foundation through a capital contribution of £10,000, in exchange for which Invoke received ordinary shares. Invoke further funded the operations of the Group from its inception in 2013 through to 2015 by way of non-interest bearing unsecured loans totalling £6.6 million. Between 2016 and 2017 Darktrace Holdings Limited completed a series of primary share issues to institutional investors, at which time the Group repaid these loans. No direct investment in the Group was made by either Mr. Hussain or Mr. Lynch. In Summer 2020, the Group raised funds by issuing convertible notes, and cancelled and extinguished certain of the shares of Darktrace Holdings Limited held by Invoke and paid the proceeds to the Invoke holding company. The Invoke company holding shares in Darktrace Holdings Limited then distributed its assets (including its remaining shares) to its shareholders and the cash proceeds were provided to settle certain tax liabilities of the shareholders arising as a result of the dissolution. Pursuant to this distribution Messrs. Lynch and

Hussain (along with other Invoke shareholders) received shares in the Group from the Invoke company. As at the date of the Registration Document, they, collectively along with their family members, hold 18.55% of the issued share capital of the Group.

Messrs. Hussain and Lynch joined the Board of Directors of the Group in 2015 as non-executive directors, with Mr. Hussain stepping down in 2016 and Mr. Lynch stepping down in 2018. Neither held executive positions in, or have been employees of, the Group. From founding, Invoke (including Messrs. Hussain and Lynch) provided management advice to the Group pursuant to a Supply of Services Agreement, which will be terminated by mutual consent at Admission. Since founding, Mr. Lynch was a member of the Group's Advisory Council, moving to the Science & Technology Council in March 2021 to support the Group's executive team by providing insight on key industry and global technology trends, meeting on an ad hoc basis several times a year. Mr. Lynch will continue to be a member of the Science & Technology Council following Admission.

In 2011, Messrs. Hussain and Lynch received funds from HP in exchange for the sale of their shares in Autonomy. In the event that Messrs. Hussain and Lynch funded Invoke with part of the proceeds of the sale of Autonomy (or other funds co-mingled with such funds) a risk may arise for the Group as regards the commission of money laundering offences under Part 7 of the Proceeds of Crime Act 2002 or similar offences in the U.S.

The SFO decided to close its investigation in 2015 into the Autonomy sale due to insufficient evidence (although this does not prevent the SFO from reconsidering its position with respect to its U.K. investigation in the future) and the Group has not received subsequent communications about these matters from any other U.K. government agency. To the Group's knowledge, it is not the target of an investigation by the Department of Justice ("**DOJ**"), the Group has complied with subpoenas issued by the DOJ in 2018, and prior to and following the Group's interactions with the DOJ during that process, there has not been any communication from the DOJ.

Having analysed and considered the relevant circumstances the Directors believe: (a) there is a low risk to the Group of successful prosecution for UK money laundering offences or similar offences in the U.S.; and (b) that the Shares being sold in the Offering are not capable of being criminal property for the purposes of the Proceeds of Crime Act 2002, nor that persons purchasing Shares in the Offering would, by doing so, commit any offence under the Proceeds of Crime Act 2002.

However, the consequences of liability under the Proceeds of Crime Act 2002 or similar U.S. laws could be significant for the Group and could include: financial penalties, forfeiture, management time and expense dealing with an investigation and defence, a criminal conviction and future debarment from public procurement. If any of the foregoing occurs, it could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may face potential liability arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy and related matters.

In November 2018, the U.S. authorities charged Messrs. Lynch and Chamberlain with numerous counts of wire fraud and conspiracy to commit wire fraud and requested forfeiture. A superseding indictment issued in March 2019 added further charges of securities fraud against Mr. Lynch and wire fraud and conspiracy to evade accounting controls, tamper with witnesses, obstruct proceedings and commit money laundering against Messrs. Lynch and Chamberlain.

The U.S. has alleged that, among other things, Mr. Lynch made payments to former Autonomy employees, including Mr. Hussain, via Invoke and entities affiliated with Invoke; and that Mr. Lynch caused an Invoke affiliate to hire Mr. Chamberlain in or around May 2016. While the Invoke affiliates are unnamed, they are believed by the Group to include Darktrace.

Other members of the Group's executive management team, and other Group employees, previously worked at Autonomy. Certain of those individuals were also employees of, and investors in, Invoke. No claim has been brought against any of these individuals in relation to the sale of Autonomy.

In 2018, Darktrace Holdings Limited received and responded to subpoenas issued by the U.S. DOJ, which included, among other things, requests for information relating to HP, Autonomy (including the hiring of its former employees by Darktrace Holdings Limited and the issues of shares in Darktrace Holdings Limited to them), Invoke Capital LLC, ICP London Limited, and ICPD Darktrace Holdings. The Group has not received further requests for documents or information from the U.S. DOJ since 2018. No claim has been brought against the Group for any criminal conduct in connection with the sale of Autonomy.

There remains a risk that the Group could be charged with offences, arising from the allegations in the superseding indictment against Messrs. Lynch and Chamberlain, including money laundering offences. To the Group's knowledge, it is not the target of an investigation by the DOJ, the Group has complied with subpoenas issued by the DOJ in 2018, and prior to and following the Group's interactions with the DOJ during that process, there has not been any communication from the DOJ. Having analysed and considered the relevant circumstances, the Directors believe this risk to be low.

In the event of any action taken by the U.S. DOJ in respect of these risks, the consequences of those actions could be significant for the Group and could include, in addition to the reputational risks: financial penalties, forfeiture, management time and expense dealing with an investigation and defence, a criminal conviction and future debarment from public procurement. If any of the foregoing occurs, it could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects could be negatively impacted.

The Group may not be able to sustain its revenue growth rate in the future, which may have an adverse impact on investor sentiment.

Although the Group achieved year-on-year growth of 72.5% and 45.3% for the years ended 30 June 2019 and 2020 respectively, and 38.9% for the six months ended 31 December 2020, there can be no assurances that revenue will continue to grow or do so at current rates, and revenues of prior annual periods may not be an indication of future performance.

The Group's effective management of its revenue growth rate will depend on, among other things, its ability to:

- effectively attract, integrate, and retain a large number of new employees, particularly members of the sales and marketing and R&D teams;
- further improve the Cyber AI Platform and its own IT infrastructure to support customer needs; and
- enhance information and communication systems to ensure that employees and offices around the world are well coordinated and can effectively communicate with each other and with channel partners and customers.

There can be no assurances that revenue will continue to grow or do so at current rates. The Group's ability to forecast its future results of operations is subject to a number of uncertainties, including its ability to effectively plan for and model future growth. The Group has encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies with global operations in rapidly changing industries. If the Group is unable to sustain its growth or accurately forecast it's future growth, or if it is unable to scale its operations or to do so efficiently, this could negatively impact the Group's business, results of operations, financial condition and prospects.

If the Group fails to sustain revenue growth and the revenue growth rate declines or fails to meet analyst expectations, this could have a negative impact on the Group's business, results of operations, financial conditions and prospects or investor sentiment.

The Group has incurred losses each year since inception and may not become profitable in the future.

The Group has incurred losses each year since inception, including net losses of $42.5 million, $34.7 million and $28.7 million for the financial years ended 30 June 2018, 2019 and 2020, respectively, and net losses of $48.4 million for the six months ended 31 December 2020 and may never achieve or maintain profitability. The Group's limited operating history and the fact that its operating expenses have increased over time, makes it difficult to evaluate the potential profitability of its business. As the Group continues to expand its business and the breadth of its operations, hires additional employees, expands into new markets, invests in research and development and sales and marketing, and incurs costs associated with general administration (including expenses related to being a listed company), it is possible that the Group's costs of sales and operating expenses will increase at a faster rate than its revenue, leading to further net losses. To the extent the Group is successful in increasing its customer base, it may also incur increased losses because the costs associated with acquiring and growing the customer base and with research and development are generally incurred upfront, while revenue from customer contracts is generally recognised over the contract term. The Group may not be able to increase its revenue at a rate sufficient to offset increases in its costs of sales and operating expenses in the near term or at all, which would prevent it from achieving or maintaining profitability in the future. Any failure by the Group to achieve, and then sustain or increase, profitability on a consistent basis could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's Remaining Performance Obligation ("RPO") may not be fully realised or may not result in revenue, which may have a material adverse effect on its business, results of operations, financial condition and prospects.

As of 31 December 2020, the Group had approximately $613 million of RPO on its customer contracts, valued at exchange rates as of that date. Management uses RPO as a key performance indicator of the current and future performance of the business because the Group expects to recognise its current RPO as revenue over time in line with its accounting policies relating to revenue recognition. Whilst some contracts require further acceptance, contracted amounts beyond that further acceptance are not included in committed customer contract values or in the Group's RPO; nevertheless the Group expects to derive future value from those contracts. However, there can be no assurances that customers will honour existing contracts. Despite long term agreements and binding terms that would not allow early termination without cause, customers might still cancel existing contracts. In addition, liquidity issues could lead its customers to become unable to satisfy their payment obligations or could otherwise encourage its customers to seek to repudiate, cancel, or renegotiate its contracts for various reasons.

A reduction in RPO due to cancellation by a customer or other reasons could significantly reduce the revenue that the Group actually receives from affected contracts. Given these factors, the Group's RPO at any point in time may not accurately represent the revenue that it expects to realise during any period, and its RPO as of the end of a financial year may not be indicative of the revenue it expects to earn in the following financial year. Inability to realise revenue from its RPO could have an adverse effect on its business, results of operations, financial conditions and prospects.

If the Group fails to retain its customers or does not attract new customers, it may be unable to grow its revenues and profitability and effectively invest to enhance the capabilities of its platform, if at all.

As the market for cyber security products becomes more saturated, competition for customers will continue to increase. In order to grow revenues, the Group must retain existing customers to the extent possible and continuously attract new customers to replace those who terminate their platform subscriptions, and any failure to do so could impact the Group's revenues. The Group is dependent on the acquisition of new customers to replace lost customers, and its ability to attract new customers depends on the perceived value of its platform versus that of the products offered by competitors. The Group relies on its marketing and direct sales strategies to attract new customers to its solutions. If sales personnel fail to sell the Group's products, to upsell new products that the Group develops or fail to renew contracts with existing customers which have an average duration of three years, the Group may lose existing customers. If the Group's current marketing or sales strategy is not successful or becomes less effective, or if marketing costs were to significantly increase, it may not be able to maintain or expand its customer base on a cost-effective basis or at all, and its business may be adversely affected.

Numerous factors could adversely impact the growth of revenues and profits even if the Group continues to gain additional customers. In particular, the Group can provide no assurance that revenues will grow or remain at current levels even if it continues to gain new customers. For example, if the Group is not able to replace large accounts and the Group is unable to adjust its cost structure, revenue and profitability could decrease. In addition, if the Group needs to expend additional resources in order to maintain existing customers, it could have a significant impact on the Group's business and financial condition.

If the Group does not effectively expand, train and retain its direct sales force, it may be unable to add new customers or increase sales to its existing customers, and its business will be adversely affected.

The Group depends, in large part, on its direct sales strategy to obtain new customers and increase sales with existing customers. Its ability to achieve significant revenue growth will partly depend on its success in recruiting, training and retaining sufficient numbers of sales personnel. New hires require significant training and may take significant time before they achieve full productivity. The Group's recruitment model for direct sales hires is to hire untrained salespeople who have recently graduated from university and the Group's training procedures may prove to be insufficient.

Recent hires and planned hires may not become productive as quickly as expected, and the Group may be unable to hire or retain sufficient numbers of qualified individuals in the markets in which it does business or plans to do business. The Group does not have a large Human Resources team and hiring sales personnel in new countries, or expanding the Group's existing presence, requires upfront and ongoing expenditures that may not be recovered if the sales personnel fail to achieve full productivity. In addition, the Group's sales employees might perceive that they are paid insufficiently or not adequately trained or mentored which would negatively impact the Group's reputation as an employer and make it more difficult to attract qualified sales personnel. The Group cannot predict whether, or to what extent, its sales will increase as it expands its sales force or how long it will take for sales personnel to become productive. If the Group is unable to hire and train and retain a sufficient number of effective sales personnel, or the sales personnel it hires are not successful in obtaining new customers or increasing sales to its existing customer base, this could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group relies on channel partners, including resellers and referral partners, to generate a significant portion of its revenue. If the Group fails to maintain successful relationships with its channel partners, or if its channel partners fail to perform, its ability to market, sell and distribute its solution will be limited, and its business, financial position and results of operations will be harmed.

In addition to the Group's direct sales force, it relies on its channel partners to sell and support its Cyber AI Platform, particularly in parts of APAC, LATAM and the Middle East. Approximately 35% of the Group's revenues involve channel partners and the Group expects that channel partners will represent a substantial portion of its revenues for the foreseeable future. The Group's agreements with channel partners are non-exclusive, meaning its partners may offer customers IT security products from other companies, including products that compete with the Group's platform. If its channel partners do not effectively market and sell its solution, and, if applicable, fail to present clients with upgraded product versions or choose to use greater efforts to market and sell their own products or the products of the Group's competitors, its ability to grow its business will be adversely affected. The Group's channel partners may cease or deemphasise the marketing of its solution with limited or no notice and with little or no penalty. In addition, in certain markets, new channel partners require training and may take several months or more to achieve productivity. The loss of a substantial number of the Group's channel partners, the inability to replace them or the failure to recruit additional channel partners could materially and adversely affect the Group's results of operations. Darktrace's reliance on channel partners could also subject it to lawsuits or reputational harm if, for example, a channel partner misrepresents the functionality of its solution to customers or violates laws or its corporate policies. The ability to grow revenues in the future will depend in part on its success in maintaining successful relationships with its channel partners and training its channel partners to independently sell and install its solution. If the Group is unable to maintain its relationship with channel partners or otherwise develop and expand its indirect sales channel, or if the Group's channel partners fail to perform, the Group's business, financial position and results of operations could be adversely affected.

Failure by the Group or, in certain markets, its channel partners, to maintain sufficient levels of customer support could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's customers depend in large part on customer support delivered by the Group, or through its channel partners, to resolve issues relating to the use of its Cyber AI Platform. The Group's customers are ultimately responsible for effectively using its Cyber AI Platform and ensuring that their IT staff is properly trained in the use of the Darktrace platform, however, even with the Group's support and that of its channel partners, a portion of the Group's customers choose not to use the associated operational support. The failure of these customers to correctly use its solution, or the Group's failure to effectively assist customers in installing its solution and providing effective ongoing support, may result in an increase in the vulnerability of its customers' IT systems and sensitive business data, and successful attacks may adversely affect the Group's reputation. If the Group's channel partners do not effectively provide support to the satisfaction of its customers, the Group may be required to provide support to such customers, which would require the Group to invest in additional personnel, which requires significant time and resources. The Group may not be able to keep up with demand, particularly if the sales of the platform exceed its internal forecasts. To the extent that the Group or its channel partners are unsuccessful in hiring, training and retaining adequate support resources, the Group's ability and the ability of its channel partners to provide adequate and timely support to its customers will be negatively impacted, its customers' satisfaction with its platform will be adversely affected. Accordingly, its failure to provide satisfactory associated technical support could have a material and adverse effect on its business, results of operations, financial condition and prospects. See "*—The Group's ability to sell its Cyber AI Platform is dependent on the quality of its associated support, and failure to offer high quality associated support could have a material adverse effect on sales and results of operations.*"

In addition to direct sales, the Group relies on channel partners to sell its platform. Any failure by the Group to sell its platform effectively through channel partners could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group sells and markets its platform to customers indirectly through channel partners, which includes resellers, in certain jurisdictions, as well as directly by the Group. If resellers are ineffective at marketing or promoting the Group's platform, the Group's sales could decline, or it could damage the Group's brand. Issues with specific end customers or broader weakness in specific markets could also negatively affect the cash flow of resellers, in turn, delay paying their obligations and breaching their agreements. The Group undertakes additional checks to ensure compliance with the applicable accounting rules, business model and standards, such as ensuring a back-to-back commercial contract with the ultimate end user. Revenue from resellers is recognised on a consistent basis with direct sales, with the customer (for revenue purposes) being the reseller. Although sales to resellers are non-refundable and not dependent on payment from the ultimate end customer, the Group nevertheless faces a greater risk of non-payment for indirect sales. A change in the credit quality of a reseller can increase the risk that such counterparty is unable or unwilling to pay amounts owed, which could directly or indirectly have a material adverse effect on results of operations. Any material decrease in the volume of revenue generated by the Group's resellers could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's current operations are global in scope, creating a variety of operational challenges.

The Group's offices, employees and customers are dispersed around the world. This creates operational challenges including:

- costs associated with developing software and providing support in many languages;
- varying patterns of use in different countries and different payment cycles;
- increased complexity of taxes and regulations associated with operating in different countries;
- costs associated with fluctuation in foreign currency exchange;
- legal challenges associated with global operations;
- the effect of tariffs and trade barriers (resulting from, for example, trade wars or the withdrawal or renegotiation of multilateral trade agreements);
- a variety of regulatory or contractual limitations on its ability to operate and reduced protection of intellectual property rights in some countries;
- potential additional financial costs to the Group, such as potential adverse movements in currency exchange rates and adverse tax events; and
- a geographically and culturally diverse workforce and customer base.

Failure to overcome any of these challenges could negatively affect results of operations or increase the Group's expenses. The Group may further expand its operations globally. If these efforts are unsuccessful in creating and expanding the Group's global customer base, or if its expansion increases the difficulties of running a global company, it could harm the Group's results of operations.

The Group also derives a meaningful portion of its revenues from emerging markets, which are subject to greater risks than more developed markets, including legal, economic, tax and political risks. Emerging markets are particularly vulnerable to restrictive, inconsistent or frequently changing government policies and have higher instances of piracy and licence misuse, and therefore may require additional time, precautions and resources to develop the Group's business and presence in such markets. If the Group were to decide to enter new markets in countries such as China or Russia, modifications to the Group's business plan or operations to comply with changing regulations or certain actions taken by regulatory authorities may increase the costs of providing the platform and materially and adversely affect the Group's business, which could adversely affect the Group's financial condition.

The Cyber AI Platform is complex, and any failure of the Cyber AI Platform to satisfy customers or perform as desired could negatively impact the Group's business, results of operations, financial condition and prospects.

The Cyber AI Platform is complex and is deployed in a wide variety of digital estates. Inability to meet the unique needs of customers may result in customer dissatisfaction and/or damage to the Group's reputation, which could materially harm the Group's business. In addition, the proper use of the Cyber AI Platform may require training of the customer and the initial or ongoing support of the Group's technical personnel. If training and/or ongoing support require more expenditure than originally estimated, margins will be lower than projected.

In addition, if customers do not use the Cyber AI Platform correctly or as intended, inadequate performance or outcomes may result. It is possible that the Cyber AI Platform may also be intentionally misused or abused by customers or their employees or third parties who obtain access and use of the Cyber AI Platform. For example, the Group's Antigena product operates in two modes, the autonomous mode and the human confirmation mode. In autonomous mode, the customer does not need to take any action and Antigena automatically defends against a flagged attack. On human confirmation mode, once an attack is flagged, a customer must manually choose how to respond to it; and its effectiveness is accordingly dependent on factors outside the Group's control. For example, the time lapse between notification and manual input could result in the failure to quickly respond to a machine speed attack. Inadequate performance, whether or not resulting from the Group's actions, such as the incorrect or improper use or configuration of the Cyber AI Platform, failure to properly train customers on how to efficiently and effectively use the Cyber AI Platform, or failure to properly provide implementation or analytical support to customers, may result in contract terminations or non-renewals, reduced customer payments, negative publicity, or legal claims against the Group.

If customer personnel are not well trained in the use of the Cyber AI Platform, customers may defer the deployment of the platform, deploy it in a more limited manner than originally anticipated, or may not deploy it all. If there is substantial turnover of customer personnel responsible for procurement and use of the Cyber AI Platform, the platform may go unused or be adopted less broadly, and the Group's ability to make additional sales may be substantially limited, which could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's ability to sell its Cyber AI Platform is dependent on the quality of its associated support, and failure to offer high quality associated support could have a material adverse effect on sales and results of operations.

Once the Cyber AI Platform is deployed and integrated with customers' existing information technology solutions and data, customers depend on the Group's customer success and technology support teams to resolve any issues relating to the Cyber AI Platform. Increasingly, the platform has been deployed in large-scale, complex technology environments, and the Directors believe the Group's future success will depend on its ability to increase sales of the Cyber AI Platform for use in such deployments. In addition, the Group's ability to provide effective ongoing support, or to provide such customer support in a timely, efficient, or scalable manner, may depend in part on customers' environments and their upgrading to the latest versions of the Cyber AI Platform.

In addition, the Group's ability to provide effective support is largely dependent on its ability to attract, train, and retain qualified personnel with experience in supporting customers on platforms such as the Cyber AI Platform. The Group's number of customers has grown significantly, and that growth has and may continue to put additional pressure on the Group's support teams if customers choose not to operate on Antigena's autonomous mode and instead operate on its human confirmation mode, which increases the risk that breach occurs requiring assistance from the Group's support teams. The Group may be unable to respond quickly enough to accommodate short-term increases in customer demand for support. The Group may be unable to modify the future scope and delivery of its support to compete with changes in support levels provided by its competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect the Group's business, results of operations, financial condition and prospects. In addition, as the Group continues to grow its operations and expand into new markets, it needs to be able to provide efficient associated support that meet its customers' needs globally at scale, and its associated support teams may face additional challenges, including those associated with operating the platforms and delivering support, training, and documentation in languages other than English and providing support across expanded time-zones. If the Group is unable to provide efficient support globally at scale, its ability to grow its operations may be harmed, and it may need to hire additional support personnel, which could negatively impact its business, results of operations, financial condition and prospects. The Group's customers typically need training, which is typically self-delivered and accessible through the customer portal, in the proper use of and the variety of benefits that can be derived from the Cyber AI Platform to maximise its potential. If the Group does not effectively deploy, update, or upgrade the Cyber AI Platform, succeed in helping its customers quickly resolve post-deployment issues, and provide effective ongoing support, its ability to sell additional products to existing customers could be adversely affected, the Group may face negative publicity, and its reputation with potential customers could be damaged. As a result, failure to maintain high quality support could negatively impact the Group's business, results of operations, financial condition and prospects. See "*—Failure by the Group or its channel partners to maintain sufficient levels of customer support could have a material adverse effect on its business, results of operations, financial condition and prospects.*"

If the Group's platform does not interoperate with its customers' digital estates, installations could be delayed or cancelled, which could significantly reduce the Group's revenue.

The Group's platform is designed to interface with existing digital estates of its customers, each of which have different specifications and utilise multiple protocol standards. Many of the digital estates of the Group's customers contain multiple generations of products that have been added over time as they have grown and evolved. The Group's platform must interoperate with the products within digital estates as well as with future products that might be added to these digital estates in order to meet the requirements of the Group's customers. The Group works to advise and assist customers so that its platform will interoperate and scale with customers' existing software and appliances, however when problems occur in the existing digital estates of customers, it may be difficult to identify the sources of these problems. Such problems include misconfigurations of a customer's existing software, a customer's mistaken understanding of the operation of its digital estate or errors in the existing software. Any delays in identifying the sources of problems or in providing necessary modifications to the Group's software or appliances could have a negative impact on the Group's reputation and the Group's customers' satisfaction with its platform, and the Group's ability to sell its platform could be adversely affected. If the Group's platform does not interoperate properly, installations could be delayed or orders for the Group's platform could be cancelled, which could negatively impact the Group's business, results of operations, financial condition and prospects.

In addition, platform vendors, notably Microsoft with Windows, Cisco, Google with Android and Apple with MacOS and iOS, could restrict third party cyber security software's access to customer data hosted or maintained in third party platforms. This could prevent the Group from accessing data in clouds, networks, collaboration tools and email. The Group's platform is designed to interface with the existing computing platforms. As new versions of platforms are introduced that include cyber security software offered by the platform vendors themselves, there is a risk that such platform vendors may close their platforms to third party cyber security software such as the Group's, or make it more difficult to install and use such third party cyber security software, which would harm the competitive position of the Group.

As the Group's platform offerings expand, there is a risk that platform vendors will regard one or other of the Group's offerings as a competitive threat and will impose restrictions on the Group's ability to offer those offerings. If either Microsoft or Google were to impose restrictions on the Group's ability to offer additional offerings to its existing customers, or to obtain vital information that the Directors believe they need to improve the Group's products, it may harm the Group's business.

The Group relies on third-party data centres, such as Amazon Web Services ("AWS"), and its own data servers to host and operate an increasing number of deployments of or offerings in its Cyber AI Platform, and any disruption of or interference with its use of these facilities may negatively affect its ability to maintain the performance and reliability of its Cyber AI Platform which could cause its business to suffer.

The Group's customers depend on the continuous availability of its Cyber AI Platform. The Group currently hosts its platform and serves its customers using a mix of third-party data centres, primarily AWS, and its own internal data servers, hosted in Cambridge and London. Historically, the Group's platform has been hosted in customer-controlled data infrastructure, however Darktrace-controlled cloud-hosted products are expected to grow in materiality and importance. Consequently, the Group may be subject to service disruptions as well as failures to provide adequate support for reasons from its third-party data centres that are outside of its direct control. The Group has experienced, and expects that in the future it may experience interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting, disruptions and capacity constraints.

The adverse effects of any third-party service interruptions may be disproportionately heightened due to the nature of its business and the fact that its customers have low tolerance for interruptions of any duration. Interruptions or failures in its service delivery could result in a cyber attack or other security threat to one of its customers during such periods of interruption or failure. Interruptions or failures in its service could also cause customers to terminate their subscriptions, adversely affect its renewal rates, and harm its ability to attract new customers.

The Group's business may also be harmed if the Group's customers believe that a cloud-based security solution hosted on third-party data centres is unreliable. While the Group does not consider them to have been material, it has experienced, and may in the future experience, service interruptions and other performance problems due to a variety of factors. The occurrence of any of these factors, or if the Group is unable to rapidly and cost-effectively fix such errors or other problems that may be identified, could damage its reputation, negatively affect its relationship with its customers or otherwise harm its business, results of operations, financial condition and prospects.

If the Group is unable to maintain and enhance its brand or if the Group's reputation and business is harmed by news or social media coverage it could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's brand identity is critical to its relationships with its customers and channel partners and to its ability to attract new customers and channel partners. The successful promotion of the Darktrace brand will depend largely upon its marketing efforts, ability to continue to offer high-quality products and ability to successfully differentiate its platform from its competitors' product offerings. The promotion of the Group's brand may require substantial expenditures, which will likely increase as the market becomes more competitive and as the Group expands into new markets. If the Group is not successful at maintaining and enhancing its brand, it could adversely affect its ability to attract new customers and it could lose customers, third party channel partners.

Any negative change to the perception of the Group's brand among its customers could have a material adverse effect on its business. For example, any negative discussions in customer forums or online review sites, any negative media attention or any negative comments regarding customer support could have a significant adverse effect on the Group's brand. In addition, negative reviews of the Group's security software solutions or the Group generally, published by leading research and advisory companies, such as Gartner, could harm the Group's brand. The Group depends upon certain third party channel partners and actions by those third parties could have a negative effect on the Group's brand. In addition, independent industry analysts often provide reviews of the Group's platform, and perception of the Group's brand in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of the Group's competitors, the Darktrace brand may be adversely affected.

It may also be more difficult to maintain and enhance the Darktrace brand with customers who purchase through the channel partners, particularly in regions where the Group has less direct contact with end customers. If the Group cannot successfully maintain and enhance its brand, the business may not grow, and resultantly the Group may have reduced pricing power relative to competitors with stronger brands and it may lose customers and channel partners. This could negatively impact the Group's business, results of operations, financial condition and prospects.

As the Group's business grows and interest in the Group and the technology industry overall increases, the Group may attract significant attention from news and social media outlets, including unfavourable coverage and coverage that is not directly attributable to statements authorised by the leadership of the Group, that incorrectly reports on statements made by the leadership of the Group or employees and the nature of the Group's work or that is otherwise misleading. If such news or social media coverage presents, or relies on, inaccurate, misleading, incomplete, or otherwise damaging information regarding the Group, such coverage could damage its reputation in the industry and with current and potential customers, employees, and investors, and could negatively impact the Group's business, results of operations, financial condition and prospects. Due to the sensitive nature of the Group's work and its confidentiality obligations, it may be unable to or limited in its ability to respond to such harmful coverage, which could have a negative impact on the Group's business. Any of the foregoing could negatively impact the Group's business, results of operations, financial condition and prospects.

The inability to obtain any third-party licence required to develop new products or enhancements to the Group's platform could require the Group to obtain substitute technology of lower quality or performance standards or at greater cost, which could negatively impact the Group's business, results of operations, financial condition and prospects.

Some of the Group's products may from time to time include software or other intellectual property licensed from third parties. It may be necessary in the future to renew licences relating to various aspects of these products or to seek new licences for existing or new products. There can be no assurance that the necessary licences will be available on acceptable terms, if at all. The inability to obtain certain licences or other rights or to obtain such licences or rights on favourable terms could result in delays in product releases until equivalent technology can be identified, licensed, developed, acquired or integrated, if at all, and may require the Group to use alternative technology of lower quality or performance standards, any of which may have a material adverse effect on the Group's business, operating results and financial condition and prospects. In addition, third parties may allege that additional licences are required for the Group's use of their software or intellectual property, and the Group may be unable to obtain such licences on commercially reasonable terms or at all. Moreover, the inclusion in the Group's products of software or other intellectual property licensed from third parties on a non-exclusive basis could limit the Group's ability to differentiate the Group's products from those of the Group's competitors, which could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group relies on the performance of highly skilled personnel including the senior management team.

The Group's future success depends, in part, on its ability to continue to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation, particularly technical professionals. The Group's future performance depends on the continued support and continuing contributions of its senior management to execute on its business plan and to identify and pursue new opportunities and platform innovations. The majority of the Group's senior management has been with the Group since its inception which has created a collaborative company culture. There can be no assurance that the Group would be able to maintain its culture if the composition of the senior management team were to evolve or individuals were to depart. Competition for suitably qualified individuals with the relevant technical expertise in the Group's industry is intense. The loss of the support of any of the Group's key personnel, the inability to attract, retain and integrate qualified personnel, or delays in hiring required personnel could significantly delay or prevent the achievement of the Group's development and strategic objectives, and could negatively impact the Group's business, results of operations, financial condition and prospects. In addition, to the extent the Group hires personnel from competitors, it may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

The Group has entered into employment agreements with certain executive officers and key employees that contain non-compete covenants. However, despite these agreements, the Group may not be able to retain these officers and employees. In addition, the non-compete covenants may themselves not be enforceable in certain jurisdictions (for example, in California, where the Group has operations, they are only enforceable in limited circumstances). This means that the Group may be unable to prevent its competitors from benefiting from the expertise of such former employees, which could materially and adversely affect the Group's business and results of operations.

The Group operates its servers in the UK and may face significant challenges in the event of a disruption of its servers.

With limited exception, the Group's platform and associated services are deployed either in customers' data centres or third-party cloud providers, however certain support and monitoring functions require the use of the Group's server content, which is located in multiple data centres in the UK. The Group has developed back-up storage for key data which is stored in London; however, there can be no assurance that such back-up storage arrangements or redundant or distributed server infrastructure will become operational, or, if they do, will be effective if it becomes necessary to rely on them. Disruption of the server and/or internet bandwidth connectivity due to technical reasons, natural disaster or other unanticipated catastrophic events, including power interruptions, storms, fires, floods, earthquakes, terrorist attacks and wars could significantly impair the Group's ability to continue its usual business operations and could materially and adversely affect the Group's business and results of operations. The Group is continuously working to improve its disaster recovery response and to better understand how a server going down will interrupt the business.

Although the Directors believe that the Group has the technical knowledge necessary to mitigate risks relating to such systems and system architecture, the Group may at any time be required to expend significant capital or other resources (including staff and management time and resources) to protect against network failure and disruption. This may include the replacement or upgrading of existing business continuity systems, procedures and security measures. In addition, the Group will require continuing expansion and upgrading of systems to support additional customers, localities, products and online support. These expansions and upgrades may consume significant capital and managerial resources.

The Group may be unable to adequately protect its intellectual property proprietary rights and prevent others from making unauthorised use of its platform and technologies, which could harm the Group's financial results.

The success of the Group's business depends on its ability to protect and enforce its patents, trademarks, copyrights, trade secrets and other intellectual property rights. The Group seeks to protect its intellectual property under patent, trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. The Group generally enters into confidentiality, invention assignment or licence agreements with employees, consultants, vendors, partners and customers, and generally limits access to, and distribution of, its proprietary information. However, there can be no assurances that the Group has entered into such agreements with all parties who may have or have had access to confidential information or that the agreements entered into will not be breached. Despite the Group's best efforts to protect its intellectual property rights, unauthorised parties may not be deterred from misuse, theft or misappropriation of information the Group regards as proprietary.

The Group has filed various applications for certain aspects of its intellectual property, including patents and trademarks. Valid patents may not be issued from pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to protect the Group's platform or technologies. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages. The Group cannot be certain that it was the first to make the inventions claimed in its pending patent applications or that it was the first to file for patent protection, which could prevent patent applications from issuing as patents or invalidate patents following their issue. Similarly, trademark applications and registrations may be challenged by third parties and registered trademarks may, following registration, be declared invalid or revoked. The process of obtaining patent, trademark or other registered intellectual property protection is expensive and time-consuming, and the Group may not be able to prosecute all necessary or desirable applications, or renew registrations, at a reasonable cost or in a timely manner.

Moreover, policing unauthorised use of the Group's intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United Kingdom and United States, and where mechanisms for enforcement of intellectual property rights may be weak. Attempts to enforce the Group's rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against the Group, or take unilateral steps to invalidate the Group's intellectual property rights, which could result in an action that invalidates or narrows the scope of its rights, in whole or in part. If the Group is unable to protect its proprietary rights (including aspects of its software and products protected other than by patent rights), it may be at a competitive disadvantage compared to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled the Group to be successful to date. Any of these events could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's failure to effectively plan, design, and implement upgrades, enhancements or modifications of its information technology systems could interfere with the Group's business and operations and could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's information systems require an on-going commitment of resources to maintain and enhance existing systems and develop new systems in order to keep pace with continuing changes in information processing technology and evolving industry and regulatory standards. The Group may experience difficulties in transitioning to new or upgraded information technology systems and in applying maintenance patches to existing systems, including loss of data and decreases in productivity as personnel become familiar with new, upgraded or modified systems. In addition, the Group may from time to time obtain portions of its information technology services from independent third parties, which may make its operations vulnerable to such third parties' failure to perform adequately. The Group's failure to effectively plan, design and implement upgrades, enhancements or modifications of its information technology systems and processes, or the failure of the systems to operate in the intended manner could negatively impact the Group's business, results of operations, financial condition and prospects.

A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's business, results of operations and financial condition could be adversely affected by changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to the Group, and the use of AI may itself become subject to further specific laws and regulations. The Group could also be adversely affected by the perception of UK Data Protection Law if the law as it exists is deemed insufficient or if laws are altered so as to prioritise personal data of its customers' employees over cyber security concerns. As a result, regulatory authorities could prevent or temporarily suspend the Group from carrying on some or all of its activities or otherwise penalise the Group if its practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Any such changes or interpretations could decrease demand for the Group's platform, limit marketing methods and capabilities, affect its margins, increase costs or subject the Group to additional liabilities.

In particular, the Group stores some personally identifiable information of its customers and is subject to data protection and privacy regulations such as the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**"). The GDPR, which came into force on 25 May 2018, implemented more stringent operational requirements for the Group's use of personal data. These more stringent requirements include expanded disclosures to the Group's customers in respect of how the Group may use their personal data and increased rights for customers to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4% of global turnover for the preceding financial year. The Group faces stringent regulations in other jurisdictions as well, including in the UK and under the California Consumer Privacy Act. The same conduct could expose the Group to penalties for breach of data protection laws in multiple jurisdictions and, following Brexit, the UK Information Commissioner's Office may impose fines that are essentially equivalent to the maximum penalties under the GDPR (in addition to any fines imposed under the GDPR). The UK's Network and Information Systems Regulations 2018, as amended from time to time, which came into force on 10 May 2018, apply to the Group and place additional network and information systems security obligations on the Group, as well as mandatory security incident notification in certain circumstances with penalties of up to £17 million.

The Group is also subject to various customs and international trade laws and regulations. For example, the Group may be subject to the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region. The Group will also be subject to evolving government export and import controls. As the strategic application of AI technology and governments' attitudes towards it develops, it may become subject to heightened import and export requirements. The cost to comply with applicable laws and regulations could be significant and would increase the Group's operating expenses, which could adversely affect its business, results of operations, financial condition and prospects. The Group's business is conducted worldwide and failure to comply with import or export rules and restrictions, or to properly classify items under tariff regulations and pay the appropriate duties, could expose it to fines and penalties. The Group may be required to make significant expenditures or modify its business practices to comply with existing or future trade laws and regulations, which could negatively impact the Group's business, results of operations, financial condition and prospects.

There are different laws in the various jurisdictions in which the Group operates that relate to how online sales may be made, particularly to consumers, including laws regulating the size and prominence of lettering, regulations surrounding the use of opt-in as compared to opt-out provisions and other specifics as to how sales may be made. The Group operates globally and must continue to monitor changes to, understand, and comply with the relevant laws in each jurisdiction. Consumer protection laws are continuously evolving, which can lead to additional obligations on the Group and expenditures and resources may be required to implement these. The Group must also rely on its third party partners, over whom it has no control, to also comply with such laws and regulations. Though the Group's contracts are ordinarily in either English or Californian law, including contracts between the Group and its third party partners, in certain jurisdictions contracts between the Group's third party partners and its customers are governed by the local jurisdiction. Such contracts can lead to different interpretations of certain provisions, such as force majeure provisions, where a customer may be able to terminate a contract with a third party partner, even if such termination would not be permitted by the contract between the third party partner and the Group. The failure to comply with any consumer laws and regulations in any jurisdiction could negatively impact the Group's business, results of operations, financial condition and prospects.

The SEC, the U.S. Department of Justice, the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Department of State, as well as other foreign regulatory authorities, continue to enforce economic and trade regulations and anti-corruption laws across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine as well as specifically targeted individuals and entities that are identified on U.S. and other blacklists, and those owned by them or those acting on their behalf. Anticorruption laws, including the U.K. Bribery Act (the "**Bribery Act**") and the US Foreign Corrupt Practices Act of 1977 (the "**FCPA**"), generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, private persons to obtain or retain business or an improper business advantage. Some of the Group's global operations may be conducted in parts of the world where it is common to engage in business practices that are prohibited by these laws.

Although the Group has policies and procedures in place designed to promote compliance with laws and regulations, which the Group reviews and updates as it expands its operations in existing and new jurisdictions in order to proportionately address risks of non-compliance with applicable laws and regulations, the Group's employees or partners could take actions in contravention of its policies and procedures, or violate applicable laws or regulations. As regulations continue to develop and regulatory oversight continues to focus on these areas, the Group's policies and procedures may not comply at all times with all applicable laws or regulations. In the event the Group's controls should fail or the Group is found to not be in compliance for other reasons, the Group could be subject to monetary damages, civil and criminal monetary penalties, withdrawal of business licences or permits, litigation and damage to its reputation and the value of its brand. As the Group expands its operations in existing and new jurisdictions globally, the Group will need to increase the scope of its compliance programmes to address the risks relating to the potential for violations of the Bribery Act and the FCPA and other anti-bribery and anti-corruption laws. In addition, the promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavourably impact the ability or manner in which the Group conduct business, could require the Group to change certain aspects of its business, operations and commercial relationships to ensure compliance, which could decrease demand for the Cyber AI Platform, reduce revenue, increase costs or subject the Group to additional liabilities. A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may negatively impact the Group's business, results of operations, financial condition and prospects.

The Group may become subject to claims of intellectual property infringement by third parties that, regardless of merit, could result in litigation and could negatively impact the Group's business, results of operations, financial condition and prospects.

The Group's success largely depends on its ability to use and develop its technology without infringing the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. The Group may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The Group may be the target of so-called "patent trolls", companies that do not manufacture or sell products and whose sole activity is to assert patent rights against accused infringers in an attempt to collect licensing fees. In addition, the Group licences and utilises certain "open source" software as part of its solutions offering. An author or another third party that distributes such third party or open source software could allege that the Group had not complied with the conditions of one or more of these licences. Any such claims, regardless of merit, could result in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of the business and negatively impact the Group's business, results of operations, financial condition and prospects.

As a consequence of such claims, the Group could be required to pay substantial damages (including to its customers), develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling some or all of its products or re-brand certain products. If it appears necessary, the Group may seek to license the intellectual property which the Group is alleged to have infringed, potentially even if the Directors believe such claims to be without merit. However, such licencing agreements may not be available on acceptable terms, or at all. If the Group cannot obtain required licences, or if existing licences are not renewed, litigation could result. Litigation is inherently uncertain and any adverse decision could result in a loss of proprietary rights, subject the Group to significant liabilities, require the Group to seek licences from others and otherwise negatively impact the Group's business, results of operations, financial condition and prospects.

Some of the Group's technology incorporates "open source" software, which could negatively affect its ability to sell the Cyber AI Platform and subject it to possible litigation.

The Group's platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licences could restrict its ability to sell its platform. The use and distribution of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Many of the risks associated with use of open source software cannot be eliminated and could negatively impact the Group's business, results of operations, financial condition and prospects.

Some open source licences contain requirements that the Group makes available source code for modifications or derivative works that it creates based upon the type of open source software used. If the Group combines its proprietary software with open source software in a certain manner, it could, under certain open source licences, be required to release the source code of its proprietary software to the public (potentially for no charge), including authorising further modification and redistribution, or otherwise be limited in the licensing of its services, each of which could provide an advantage to the Group's competitors or other entrants to the market, create security vulnerabilities in its solutions, require the Group to re-engineer all or a portion of the Cyber AI Platform, and could reduce or eliminate the value of the services provided. This would allow the Group's competitors to create a similar platform with lower development effort and time and ultimately could result in a loss of sales for the Group.

It cannot be assured that the Group's processes for controlling the use of open source software in its platform will be effective. From time to time, the Group may face claims from third parties asserting ownership of, or demanding release of, the open source software or derivative works that it developed using such software (which could include proprietary source code), or otherwise seeking to enforce the terms of the applicable open source licence. These claims could result in litigation. Litigation could be costly for the Group to defend, have a negative effect on results of operations and financial condition or require it to devote additional research and development resources to change its solutions. Responding to any infringement or non-compliance claim by an open source vendor, regardless of its validity, discovering certain open source software code in the Cyber AI Platform, or a finding that the Group has breached the terms of an open source software licence, could by, among other things:

- result in time-consuming and costly litigation;
- divert management's time and attention from developing the business;
- require the Group to pay monetary damages or enter into royalty and licensing agreements that it would not normally find acceptable;
- cause delays in the deployment of the Cyber AI Platform offerings to customers;
- require the Group to stop offering certain features of the Cyber AI Platform;
- require the Group to redesign certain components of the Cyber AI Platform using alternative non-infringing or non-open source technology, which could require significant effort and expense;
- require the Group to disclose its software source code and the detailed programme commands for its software; and
- require the Group to satisfy indemnification obligations to its customers.

Any of these outcomes may result in harm to the Group's business, results of operations, financial condition and prospects.

The Group may make acquisitions and investments which could divert management's attention, result in operating difficulties and otherwise disrupt the Group's operations and adversely affect its business, results of operations, financial condition and prospects, and such acquisitions and investments may result in dilution to the Group's shareholders.

From time to time, the Group may pursue strategic acquisition or investment opportunities. Any transactions that the Group enters into could be material to its financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Shareholders may also not have the opportunity to vote on or approve the acquisitions. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating the business;
- use of resources that are needed in other areas of the business;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems, IT systems and operations of the acquired company, including potential risks to the corporate culture of the Group;
- retention and integration of employees from the acquired company;
- unforeseen costs or liabilities;
- adverse effects on the Group's existing business relationships with customers and merchants;
- adverse tax consequences;
- litigation or other claims; and
- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of acquisitions may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. The Group may also not be able to identify acquisition or investment opportunities that meet its strategic objectives, or, to the extent such opportunities are identified, the Group may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to it. In the future, if the Group's acquisitions or investments do not yield expected returns, it may be required to take charges or impairments to its operating results based on this impairment assessment process, which could negatively impact the Group's business, results of operations, financial condition and prospects.

The global COVID-19 outbreak and the global response to this outbreak could affect the Group's business and operations.

The outbreak of the novel coronavirus and the COVID-19 disease that it causes has evolved into a global pandemic. In light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, the Group has taken precautionary measures intended to minimise the risk of the virus to its employees, its customers and the communities in which it operates, including temporarily closing offices worldwide and virtualising, postponing or cancelling customer, employee or industry events, which may negatively impact its business. The Group continues to monitor the situation and may adjust its current policies as more information and public health guidance becomes available, the ongoing effects of the COVID-19 pandemic and/or the precautionary measures that have been adopted may create operational and other challenges, any of which could harm its business and results of operations.

Although COVID-19 has had a net positive impact on the business in the short term by reducing operating costs, the Group cannot be certain what the long-term impact will be. COVID-19 may also disrupt the operations of the Group's customers and partners for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, uncertainty in the financial markets or other harm to their businesses and financial results, which could result in a reduction to information technology budgets, delayed purchasing decisions, longer sales cycles, extended payments terms, the timing of payments, and postponed or cancelled projects, all of which could negatively impact the Group's business, results of operations, financial condition and prospects. More generally, the COVID-19 pandemic has and is expected to continue to adversely affect economies and financial markets globally, leading to a continued economic downturn, which is expected to decrease technology spending generally and could adversely affect demand for the Group's Cyber AI Platform. It is not possible at this time to estimate the full impact that COVID-19 will have on the Group's business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted.

Moreover, to the extent the COVID-19 pandemic adversely affects the Group's business, results of operations, financial condition and prospects, it may also have the effect of heightening many of the other risks faced by the Company, including but not limited to, those related to the ability to increase sales to existing and new customers, continue to perform on existing contracts, develop and deploy new technologies, expand its marketing capabilities and sales organisation, generate sufficient cash flow to service its indebtedness, and comply with the covenants in the agreements that govern indebtedness.

Risks relating to the industry

If organisations choose to adopt cloud-based security solutions, the Group may be adversely affected as the cost of operations increases.

The Group's future profitability will depend on a number of factors, including the cost, performance, and perceived value associated with the Group's solutions and those of its competitors. Customers currently access the Group's platform either through a physical appliance or the cloud. In the past, the majority of customers opted for an offering in a customer-controlled environment. The number of customers now looking for Darktrace to provide a hosted service offering is rapidly expanding. The cloud-based offering includes hosting costs that can be variable and depend on an accurate scope of the customer's requirements assessed at the outset of the deployment. If this scoping is incorrect, or if hosting costs increase, there could be a mismatch between the costs the Group incurs with third-party cloud hosting providers and the price charged to the customer. The shift towards an Darktrace-hosted service offering and away from a customer-controlled data infrastructure offering could present upfront challenges with pricing the Cyber AI Platform as the Group might not be able to pass the additional cost of adopting an Darktrace-hosted service offering to the customer or might get pricing wrong, especially if the costs increase during the life of the contract. The inability to account for these increased costs could negatively impact the Group's business, results of operations, financial condition and prospects.

Competitors' pricing policies, currency fluctuations and a failure to introduce successful Cyber AI Platform enhancements may affect the average sales prices for the Group's platforms , therefore adversely affecting the Group's revenue and profitability.

The average revenue per customer for the Group's platform may decline for a variety of reasons, including competitive pricing pressures, discounts offered by the Group, a change in the Group's platform offerings, a perceived decline in the relevance of the Group's platform in an evolving cyber security threat landscape and anticipation of the introduction of new products or promotional programs. Competition is intense in the market segment in which the Group participates, and it is possible that competition will increase in the future, thereby leading to increased pricing pressures. In addition, large players that do not have offerings that directly compete with the Group, such as Amazon and Google, may decide to enter the market and offer a platform that undercuts the Group on price. This increased competition could result in fewer customer orders, price reductions, reduced margins, and loss of market share, further negatively affecting the Group's business, results of operations, financial condition and prospects.

In addition, although the Group prices in a number of local currencies, currency fluctuations in certain countries and regions may negatively impact actual prices that distributors, channel partners and customers are willing to pay in those countries and regions. The Group also anticipates that in the event that platform enhancing features are not introduced, the average sales prices and gross profits for the Group's platform could decrease over the platform life cycle. There can be no assurance that the Group will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that the Group's platform offerings, if introduced, will enable the Group to maintain its prices and gross profits at levels that will allow the Group to maintain profitability. A failure to do so could negatively impact the Group's business, results of operations, financial condition and prospects.

If the Group is unable to compete successfully in the highly competitive market for cyber security products, it could negatively impact the Group's business, results of operations, financial condition and prospects.

The cyber security market in which the Group operates is characterised by intense competition, constant innovation and evolving security threats. The Group competes with companies that offer a broad array of cyber security products. Some of the Group's competitors are large companies that have greater financial and technical resources and broader customer bases and channel networks. They may also enjoy potential competitive advantages such as greater name recognition, established relationships as a trusted vendor with channel and distribution partners and customers, greater customer support resources and larger intellectual property portfolios. Large technology companies and cloud providers have the ability to produce cheaper or free additional functionality which might be attractive to potential clients. Although this perceived benefit from the Group's competitors does not offer the level of protection that the Directors believe that Darktrace provides, potential clients might believe that the Group's competitors can provide an adequate solution to their organisations' cyber security needs. Such competitors may use these advantages to offer more diverse product offerings at a lower price or for free as part of a bundled package or may develop different products to compete with the Group's platform and respond more quickly and effectively than the Group to new or changing threats, regulations, technologies, standards or client requirements. Similarly, potential customers might take a "self-help" approach where they perceive that they can sufficiently defend against any potential cyber security breaches without additional assistance.

Many organisations have established deep relationships with certain of the Group's competitors and may be reluctant to add new products to their IT systems from other vendors such as the Group. In addition, these larger competitors often have broader product lines and market focus or greater resources and may therefore not be as susceptible to economic downturns or other significant reductions in capital spending by customers. If the Group is unable to sufficiently differentiate its platform from the integrated or bundled products of its competitors, such as by offering enhanced functionality, performance, or value, the Group may see a decrease in demand for its platform, which could negatively impact the Group's business, results of operations, financial condition and prospects.

In addition, new, innovative start-up companies and larger companies that are making significant investments in research and development may introduce products that have greater performance or functionality, are easier to implement or use, incorporate technological advances that the Group has not yet developed, or implemented or may invent similar or superior platforms and technologies that compete with the Group's platform.

The Group's current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. Current or potential competitors may be acquired by third parties with greater available resources. As a result of such acquisitions, the Group's current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product offerings more quickly than the Group.

The Group may not compete successfully against its current or potential competitors in the cyber security market. If it is unable to compete successfully, or if competing successfully requires the Group to take costly actions in response to the actions of its competitors, its business, results of operations, financial condition and prospects could be negatively affected.

Adverse global economic events or prolonged economic uncertainties or downturns could materially adversely affect the Group's business, operating results and financial condition.

Adverse global economic events or prolonged economic uncertainties or downturns could materially adversely affect the Group's business, operating results or financial condition under a number of different scenarios. During challenging economic times, current or potential customers may delay or forego cyber security investment decisions. Customers may also have difficulties in obtaining the requisite third-party financing to complete the purchase of the Group's platform. An adverse global economic environment could also subject the Group to increased credit risk should customers delay or be unable to pay the Group for previously purchased platforms. Accordingly, reserves for doubtful accounts and write-offs of accounts receivable may increase. In addition, weakness in the market for customers of the Group's platform could harm the cash flow of its channel partners who could then delay paying their obligations to the Group or experience other financial difficulties. This would further increase the Group's credit risk exposure and, potentially, cause delays in recognition of revenue on sales to these customers.

The onset or continuation of adverse economic conditions may also make it more difficult to obtain financing for the Group's operations, investing activities (including potential acquisitions) or financing activities. Specific economic trends, such as declines in the demand for cyber security, or softness in corporate information technology spending, could have an even more direct, and harmful, impact the Group's business, results of operations, financial condition and prospects.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Group's business, operating results and financial condition.

The Group is a multinational company headquartered in Cambridge, United Kingdom with worldwide operations, including significant business operations in Europe. Following a national referendum and enactment of legislation by the government of the United Kingdom, the United Kingdom formally withdrew from the European Union and ratified a trade and cooperation agreement governing its future relationship with the European Union. The agreement, which is being applied provisionally from January 1, 2021 until it is ratified by the European Parliament and the Council of the European Union, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. Because the agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the United Kingdom and the European Union as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal.

These developments, or the perception that any related developments could occur, have had and may continue to have a material adverse effect on global economic conditions and financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings have been and may continue to be subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate could increase costs could depress economic activity and restrict the Group's access to capital. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group faces exposure to foreign currency exchange rate fluctuations.

The proportion of revenues generated in local currency in international contracts versus the costs denominated in local currency for the Group's operations may affect the Group's results of operations when each converted to U.S. dollars. Therefore, fluctuations of the value of the U.S. dollar and foreign currencies may affect the Group's results of operations. The Group may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates.

Part 2

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. GENERAL

Investors should only rely on the information in any final Prospectus published by the Company. No person has been authorised to give any information or to make any representations in connection with the Group, other than those contained in this Registration Document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or its Directors or its shareholders. The delivery of this Registration Document does not create any implication that there has been no change in the business or affairs of the Group since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

In accordance with Prospectus Rule 2.2.2, were the Company in due course to issue a Prospectus, such Prospectus would contain details of any material change or recent development relating to the Group since the date hereof.

The contents of this Registration Document are not to be construed as legal, business or tax advice. The reader should consult his or her own lawyer, independent adviser or tax adviser for legal, financial or tax advice. The reader must rely on their own examination, analysis and enquiry of the Company, including the merits and risks involved.

This Registration Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or Directors, its shareholders or any of their representatives that any recipient of this Registration Document should subscribe for or purchase the Shares.

Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective investors should read any Prospectus published by the Company.

None of the Company, its Directors or shareholders nor any of their representatives is making any representation regarding the legality of any investment in the Company or its securities.

2. PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The historical financial information in this Registration Document has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The significant IFRS accounting policies applied in the financial information of the Group are applied consistently in the historical financial information in this Registration Document.

3. HISTORICAL FINANCIAL INFORMATION

The Company's financial year runs from 1 July to 30 June. The historical financial information presented in this Registration Document consists of consolidated financial information for each of the financial years ended 30 June 2020, 2019 and 2018, and the six months ended 31 December 2020. The consolidated historical financial information for the Group included in section B of Part 9: "*Historical Financial Information*" is covered by an accountant's report, included in section A of Part 9: "*Historical Financial Information*". The accountant's report was prepared in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The historical interim financial information for the six months ended 31 December 2019 is unaudited. Unless otherwise stated, no other financial information presented in this Registration Document has been audited.

None of the financial information used in this Registration Document has been audited in accordance with auditing standards generally accepted in the United States of America ("**U.S. GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). In addition, there could be differences between the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom and U.S. GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the consolidated historical financial information for the Group included in Part 9: "*Historical Financial Information*" of this Registration Document and the implications of differences between the auditing standards noted herein.

4. NON-IFRS FINANCIAL INFORMATION

This Registration Document contains certain financial measures that are not defined or recognised under IFRS, including EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA as defined below.

These non-IFRS financial measures and other metrics are unaudited and are not measures recognised under IFRS or any other internationally accepted accounting principles, and prospective investors should not consider such measures as an alternative to the IFRS measures included in the Group's historical financial information. The non-IFRS financial measures and other metrics, each as defined herein, may not be comparable to similarly titled measures presented by other companies as there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Even though the non-IFRS financial measures and other metrics are used by management to assess the Group's financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of the Group's position or results as reported under IFRS. The Directors believe that each of these measures provides useful information with respect to the performance of the Group's business and operations.

Unaudited financial measures and other metrics in relation to the Group have been derived from (i) management accounts for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of the Group's historical financial information contained in Part 9: "*Historical Financial Information*"; and (iii) the Group's other business operating systems and records. Management accounts are prepared using information derived from accounting records used in the preparation of the Group's historical financial information contained in Part 9: "*Historical Financial Information*" but may also include certain other assumptions and analyses.

EBIT is a non-IFRS measure defined as the Group's operating profit or loss.

Adjusted EBIT is a non-IFRS financial measure defined as the Group's EBIT plus share-based payment charges, plus certain share option-related employer tax charges.

EBITDA is a non-IFRS financial measure defined as the Group's EBIT plus depreciation and amortisation.

Adjusted EBITDA is a non-IFRS financial measure defined as the Group's EBITDA minus appliance depreciation attributed to cost of sales, plus share-based payment charges and share option-related employer tax charges.

The Group considers its core operating performance in any period to be that which the Group's management can affect in any particular period. The Directors believe that EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are key metrics as they allow the Group to evaluate its underlying operating performance by including or excluding certain items that the Group does not consider indicative of, or that may impair period-to-period comparability of, its core operating performance. In addition, the Group uses EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA in developing its internal budgets, forecasts and strategic plan, in analysing the effectiveness of the Group's business strategies, to evaluate potential acquisitions, in making compensation decisions and in communications with the Directors concerning the Group's financial performance.

EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA have limitations as analytical tools. For example, some of the limitations with respect to Adjusted EBITDA are:

- it does not reflect the Group's cash expenditures or future requirements for capital commitments or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;
- it does not reflect the interest expense or cash requirements necessary to service interest or principal payments on the Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- it does not reflect any cash income taxes that the Group may be required to pay;
- it is not adjusted for all non-cash income or expense items that are reflected in the Group's income statement;

- it does not reflect the impact of earnings or charges resulting from certain matters the Group consider not to be indicative of the Group's ongoing operations; and
- other companies in the Group's industry may calculate this measure differently than the Group, thereby limiting its usefulness as a comparative measure.

The table below shows the reconciliation of Adjusted EBIT for each of the periods presented.

	Six months ended 31 December		Financial Year ended 30 June		
(unaudited)	**2020**	**2019**	**2020**	**2019**	**2018**
			(in $'000)		
Operating loss	**(4,881)**	**(21,479)**	**(24,903)**	**(36,205)**	**(40,613)**
Share-based payment charges	5,810	4,932	10,356	6,758	2,286
Employer related tax charges	6,522	(67)	(67)	539	1,016
Adjusted EBIT	**7,451**	**(16,614)**	**(14,614)**	**(28,908)**	**(37,311)**

The table below shows the reconciliation of EBITDA and Adjusted EBITDA for each of the periods presented.

	Six months ended 31 December		Financial Year ended 30 June		
(unaudited)	**2020**	**2019**	**2020**	**2019**	**2018**
			(in $'000)		
Operating loss	**(4,881)**	**(21,479)**	**(24,903)**	**(36,205)**	**(40,613)**
Depreciation and amortisation	19,149	14,676	32,925	23,976	13,946
EBITDA	**14,268**	**(6,803)**	**8,022**	**(12,229)**	**(26,667)**
Appliance depreciation in cost of sales	(5,803)	(4,237)	(9,392)	(6,319)	(3,654)
Share-based payment charges	5,810	4,932	10,356	6,758	2,286
Employer related tax charges	6,522	(67)	(67)	539	1,016
Adjusted EBITDA	**20,797**	**(6,175)**	**8,919**	**(11,251)**	**(27,019)**

In addition, the Group regularly reviews a number of operational metrics to evaluate its business, measure its performance, identify trends affecting its business, formulate financial projections and make strategic decisions. The Directors believe the following measures are also useful in evaluating the Group's operating performance:

- Annualised recurring revenue
- Net ARR added
- One-year gross ARR churn
- Net ARR retention rate
- Average contract ARR
- Number of customers
- RPO

in each case, as described more fully below.

Annualised Recurring Revenue:

The Group's Annualised Recurring Revenue ("**ARR**") is a non-IFRS financial measure that the Group defines as the sum of all ARR for its customers as of the measurement date. The ARR for each customer is the annual committed subscription value of each order booked for which it will be entitled to recognise revenue, assuming the customer continues to renew all contracted subscriptions. For example, a contract for $3.0 million with a contractual term of three years would have ARR of $1.0 million, as long as the customer remains contractually committed. In the small number of cases where a customer has an opt-out within six months of entering a contract, the Group does not recognise ARR on that contract until after that opt-out period has passed.

Net ARR Added:

Net ARR added is a non-IFRS measure defined as new customer ARR added in a period, plus the net impact of upsell, downsell, and churn activity in the existing customer base in that period.

One-Year Gross ARR Churn Rate:

One-year gross ARR churn rate is a non-IFRS financial measure that the Group defines as the ARR value of customers lost from the existing customer cohort one year prior to the measurement date, divided by the total ARR value of that existing customer cohort one year prior to the measurement date. This churn rate reflects only customer losses and does not reflect customer expansions or contractions.

Net ARR Retention Rate:

Net ARR retention rate is a non-IFRS financial measure defined as the current ARR value for all customers that were customers one year prior to the measurement date, divided by their ARR one year prior to the measurement date. This retention rate does reflect customer losses, expansions, and contractions.

Average Contract ARR:

Average contract ARR is a non-IFRS financial measure that is defined as the total ARR at the measurement date divided by the number of customers at that measurement date.

Number of Customers:

Number of customers is an operating metric defined as the count of the contracting entities that are generating ARR at the measurement date.

RPO:

RPO is a non-IFRS financial measure that represents committed revenue backlog. RPO is calculated by summing all committed customer contract ARR values that have not yet been recognised as revenue, valued at the exchange rates on the last day of the reporting period. Actual revenue recognised may differ, primarily because of the application of actual exchange rates at the dates of revenue recognition.

5. CURRENCY PRESENTATION

Unless otherwise indicated, all references to “U.S. dollars”, “USD” or “$” are to the lawful currency of the United States and the Group prepares its financial statements in U.S. dollars. All references in this Registration Document to “sterling”, “pounds sterling”, “GBP”, “£”, or “pence” are to the lawful currency of the United Kingdom. All references in this Registration Document to “Euro” or “€” are to the lawful currency of 19 out of 27 members of the European Union.

The following table sets out, for the periods set forth below, the high, low, average and period-end Bloomberg Composite Rate expressed as pound sterling per $1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the composite bid rate is equal to the highest bid rate of all currently active, contributed, bank indications, and the composite ask rate is equal to the lowest ask rate offered by these same bank indications. The Bloomberg Composite Rate is a mid-value rate between the composite bid rate and the composite ask rate. The rates may differ from the actual rates used in the preparation of the consolidated historical financial information and other financial information appearing in this Registration Document.

The average rate for a year, a month, or for any shorter period, means the average of the final daily Bloomberg Composite Rates during that year, month, or shorter period, as the case may be.

Period (Year/Month)	Period end	Average	High	Low
	(GBP per $1.00)			
2018	0.7846	0.7500	0.7991	0.6981
2019	0.7538	0.7838	0.8292	0.7504
2020	0.7324	0.7797	0.8656	0.7324
January 2021	0.7297	0.7332	0.7394	0.7282
February 2021	0.7172	0.7211	0.7328	0.7091
March 2021	0.7247	0.7216	0.7292	0.7158
April 2021 (to 9 April 2021)	0.7296	0.7249	0.7296	0.7193

Source: Bloomberg

6. ROUNDINGS

Certain data in this Registration Document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Registration Document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

7. MARKET, ECONOMIC AND INDUSTRY DATA

The Group uses market data and industry forecasts in this Registration Document. Certain market data and certain industry forecasts used in this Registration Document were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. While the Directors believe the third-party information included therein to be as reliable as forward looking information can be, the Company has not independently verified such third-party information.

Where third-party information has been used in this Registration Document, the source of such information has been identified. Where the Group has relied upon internally developed estimates, the information is identified as Company estimates or beliefs. All other market and industry information in this Registration Document is extracted from Forrestor (2020), Capgemini (2019), Gartner (2020), McKinsey (2019) and such other sources as have been duly identified throughout the Registration Document.

The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this Registration Document. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this Registration Document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

The Company confirms that all such data sourced from third parties contained in this Registration Document has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

8. SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company has been incorporated under English law. Service of process upon Directors and officers of the Company may be difficult to obtain within the United States. In addition, since most directly owned assets of the Group are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under U.S. federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a U.S. court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

9. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website do not form part of this Registration Document.

10. DEFINITIONS AND GLOSSARY

Certain terms used in this Registration Document, including all capitalised terms and certain technical and other items, are defined and explained in Part 11: "*Definitions and Glossary*".

11. INFORMATION NOT CONTAINED IN THIS REGISTRATION DOCUMENT

No person has been authorised to give any information or make any representation other than those contained in this Registration Document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Registration Document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Registration Document or that the information in this Registration Document is correct as of any time subsequent to the date hereof.

12. INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Registration Document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. These forward-looking statements can be identified by the use of terminology such as, "aims", "anticipates", "assumes", "believes", "budgets", "could", "contemplates", "continues", "estimates", "expects", "intends", "may", "plans", "predicts", "projects", "schedules", "seeks", "shall", "should", "targets", "would", "will" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this Registration Document and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "*Risk Factors*", "*Business*" and "*Operating and Financial Review*" regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Registration Document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks, uncertainties and other important factors include, but are not limited to, those listed under the heading "*Risk Factors*", including changes in economic conditions, the Group's competitive environment, the Group's ability to execute its strategies, as well as other factors within and beyond the Group's control that may affect its planned strategies and operational initiatives including actions taken by counterparties.

The following include some but not all of the factors that could cause actual results or events to differ materially from the anticipated results or events:

- The Group could be negatively impacted by the failure of its systems or compromise of its data, through cyber attack, cyber intrusion, insider threats or otherwise.
- If the Group is unable to develop and enhance its platform to adapt to the increasingly sophisticated nature of cyber attacks, it could negatively impact the Group's business, results of operations, financial condition and prospects.
- The Group may be unable to develop and enhance its platform to meet the changing cyber protection demands of its customers.
- Actual, possible or perceived defects or vulnerabilities in the Group's platform, the failure of the Group's platform to respond to a cyber attack or the misuse of the Group's platform could harm the Group's reputation and divert resources.
- The Group's artificial intelligence algorithms may not operate properly or as expected which could detrimentally impact its platform's effectiveness.
- The Group may face reputational risk arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy Corporation plc and related matters.
- The Group may face potential liability arising out of its historic funding by Invoke.
- The Group may face potential liability arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy and related matters.
- The Group has incurred losses each year since inception and may not become profitable in the future.
- The Group may not be able to sustain its revenue growth rate in the future, which may have an adverse impact on investor sentiment.

By their nature, forward-looking statements are based upon a number of estimates and assumptions that, whilst considered reasonable by the Company are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those indicated, expressed or implied in such forward-looking statements. Investors are cautioned that forward-looking statements are not guarantees of future performance.

The forward-looking statements contained in this Registration Document speak only as at the date of this Registration Document. Subject to the requirements of the Prospectus Rules, the DTRs, the Listing Rules, the Market Abuse Regulation or applicable law, the Directors, the Company and the Group explicitly disclaim any intention or obligation or undertaking to publicly release the result of any revisions to any forward-looking statements made in this Registration Document that may occur due to any change in the Directors', the Company's or the Group's expectations or to reflect events or circumstances after the date of this Registration Document.

Part 3

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Gordon Hurst (*Independent Chair*) Poppy Gustafsson OBE (*Chief Executive Officer*) Catherine Graham (*Chief Financial Officer*) Vanessa Colomar (*Non-Executive Director*) Stephen Shanley (*Non-Executive Director*) Johannes Sikkens (*Non-Executive Director*) Lord Willetts (*Independent Non-Executive Director*) Paul Harrison (*Independent Non-Executive Director*) Sir Peter Bonfield (*Independent Non-Executive Director*)
Company Secretary	Richard Eaton
Registered office of the Company	Maurice Wilkes Building St John's Innovation Park, Cowley Road Cambridge CB4 0DS
English and U.S. legal advisers to the Company	Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF
Auditor and reporting accountant . . .	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

Part 4

INDUSTRY OVERVIEW

Evolution of the cyber security software industry to date

All organisations with a digital footprint now face significant risks from cyber crime. For private sector organisations, these include financial risks from theft or extortion; business risks from the theft of IP and commercially sensitive data and reputational risks from being perceived as poor custodians of customer, citizen or personal data. For governments, cyber crime also poses significant risk to the health, safety and security of individuals. Recent attacks have shown the ability for cyber criminals to disrupt critical social infrastructure such as communications networks, healthcare, energy, or transport networks. For example, whilst the UK's National Health Service estimated the financial cost of the 2017 WannaCry attack to be GBP 92.0 million,[1] the attack also led to the cancellation of thousands of patient appointments and the temporary closure of a number of accident and emergency departments.[2]

In this context, all types of organisation are demanding ever more resilient and sophisticated security solutions to meet evolving threats. Organisations cannot try to turn back the clock on how they digitally interact with their employees, customers and other stakeholders without harming their effectiveness and competitiveness.

Point solution ("**Point Solution**") products, which narrowly approach the cyber problem by, for example, protecting only the organisation's perimeter against specific and common threats, still dominate the market. Such threats include, for example: malware (such as viruses, worms, and spyware); phishing and social engineering techniques (such as emails asking users to access links or disclose confidential data) and web application attacks. Such Point Solution products often offer defences only based on what has been learned from previous attacks – both by checking against known malware identifiers, but also offering rules and signature based checks to counter attacks.

These traditional Point Solution products that defend the perimeter of an organisation are expected to remain an important part of cyber security for many years to come, and Darktrace's products work alongside and in harmony with such products. The Directors believe that the threat landscape has evolved such that traditional solutions will not prevent determined cyber criminals from identifying new vulnerabilities and therefore new solutions and approaches are required. Darktrace's product platform has therefore been developed to address these vulnerabilities, which are further described below.

Use of historical data and playbooks

The Directors believe that any cyber defences relying on understanding the methodologies of past attacks have some fundamental shortcomings. First, sophisticated attackers constantly innovate and the past is not an adequate predictor of the future. Secondly, the scale and complexity of modern digital estates and their use and integrations with third parties makes it impractical to inspect every piece of code for a match against something previously used. Thirdly, there is also often a significant time lag between the emergence of a new attack and the reconfiguration of defences or provision of a patch to address it.

This time lag is because cyber security vendors must first discover the new attack methodology, reverse engineer its precise characteristics and then deploy the new protection information across their customer base. Certain vendors have sought to use machine learning for this discovery – investigation – deployment process to reduce the time during which the customers are unable to prevent the attack. However, the speed at which a novel attack is able to propagate once it has breached the perimeter, and assuming inadequate internal protections, means that even a reduced cycle time remains far too long.

An example of this is the NotPetya malware attack, which spread from one location in Ukraine to impact thousands of sophisticated and ostensibly well protected organisations globally within a matter of minutes on 27 June 2017. Whilst the existence of the attack was identified quickly, the only short term way to protect against its effect in the immediate aftermath proved to be powering down and disconnecting computers from networks.

1 UK Department of Health & Social Care (2018), "Securing cyber resilience in health and care"

2 UK National Audit Office (2018), Investigation: Wannacry cyber attack and the NHS

Siloed or Overlapping Point Solutions

Traditional Point Solution products were typically developed to address a particular specific type of threat, with Chief Information Security Officers ("**CISOs**") seeking out the "best in class" from different vendors. However, the simultaneous operation of multiple Point Solutions has increased the risk of data overload, making it more difficult for security operations centres ("**SOCs**") to triage and analyse alerts.

The industry has attempted to address this challenge in recent years by offering systems that aggregate feeds from multiple vendors into dashboards that manage workflow and ticketing (more recently referred to as security information and event management systems ("**SIEMs**")). However, there still remains a risk both of gaps in coverage between products, and also overlaps between products generating excess alerts. In addition, given that the same attack may involve multiple events in different parts of the digital estate – each protected by different Point Solutions – it remains challenging for SOCs to link actions to identify when a serious attack is taking place and set an appropriate response.

Some larger platform vendors offer bundled point solutions, which are intended to integrate better with one another. However, this does not allow for a consistent architecture whereby the machine learning can take full advantage of analysing all of the raw data in real time, which is critical in combatting cyber attacks. The Directors therefore believe that CISOs will, however, still continue to desire best in class solutions so as to provide optimal protection.

Lack of adequate protections within the network

Many traditional Point Solutions have focused on perimeter defences. However, these are being breached on a regular basis, as attackers assume the credentials and appearance of valid users. According to a Forrester survey, 94% of a sample of executives and cyber security specialists had suffered a notable cyber attack or breach within the prior 12 months and 77% expected attacks to increase over the coming two years.[3] In addition, 63% of security experts conceded that it was likely there had been a perimeter compromise they were unaware of in the past year.[4]

Whilst the Directors expect that perimeter defences will remain an important part of an organisation's defences, particularly against less sophisticated attacks, such defences do not address the risks arising once the perimeter has been breached. Once an attack has gained a foothold within the network perimeter then it may spread at machine speed through the organisation's entire distributed digital infrastructure globally – datacentre, cloud, CRM, servers, laptops and beyond. Whilst some attacks may result in obvious data theft or destruction, others might remain dormant for some time until a future event such as a software update. According to Cybersecurity Insiders, only 30% of businesses feel they are able to detect irregular behaviour in cloud applications and infrastructure.[5]

Various products have evolved to help identify possible attacks taking place within the network perimeter, including network traffic and analysis ("**NTA**") and user and entity behaviour analytics ("**UEBA**") products. The Directors believe that such products currently available in the market, in contrast to those provided by Darktrace, however, still typically rely on applying previous attack data and patterns, and therefore suffer from the same shortcomings as described in connection with other such historic-data driven solutions above.

Labour intensity and attacks at machine speed

Human cyber security teams cannot keep pace with the complexity and volume of attacks. According to Capgemini, 69% of cyber security specialists do not think they will be able to adequately react to attacks without employing AI-based solutions in future[6]. Modern attacks may spread across an organisation's entire digital ecosystem within seconds. Defences relying on humans to analyse a threat and take decisions are not appropriate for mitigating this speed of harm. Attackers may time their attacks at weekends, night-times and in holiday periods so as to benefit from periods subject to less human oversight.

This is why Darktrace has developed its Antigena product, which has the capability to interrupt and neutralise emerging threats in seconds.

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3 Forrester (2020), "The Rise of the Business-Aligned Security Executive"

4 Forrester (2020), "The Rise of the Business-Aligned Security Executive"

5 Cybersecurity Insiders (2020), "2020 Insider Threat Report"

6 Capgemini (2019), "Reinventing Cybersecurity in Artificial Intelligence"

Future Trends in the Cyber Security market

The Directors believe that the cyber security market is undergoing a period of rapid evolution given the trends described below, and that Darktrace's products are ideally positioned to meet the challenges of this evolving threat environment.

Well-Resourced and Sophisticated Attackers

Given the potential financial value of stolen data and ransomware attacks, cyber crime offers criminals a significant financial opportunity. It is therefore increasingly organised and well-resourced, rather than a fringe activity. In addition, hostile state actors focused on data theft, disruption and misinformation have significant resources at their disposal. According to Forrester, 88% of companies expect attacks using AI to become commonplace.[7]

Well-resourced cyber criminals are therefore increasingly using state-of-the-art hacking techniques and tools, increasingly including automation and AI, to carry out malicious intrusions. For example, on 5 January 2021, US government agencies issued a joint statement that they believed that a Russian-origin Advanced Persistent Threat actor was responsible for a high profile cyber attack against SolarWinds (a US network management software vendor with US government agencies as customers) with the intention of gathering intelligence[8]. The group responsible for the attack used a compromised Microsoft Office 365 account to breach SolarWinds' network and plant malicious code into a patch for SolarWinds' Orion software. This patch was then downloaded by some 18,000 businesses and government agencies.

Zero Day Attacks

The ever increasing complexity of operating systems, browsers and applications makes it harder for software providers to entirely eradicate vulnerabilities. A "zero-day attack" exploits a weakness within a piece of software or application that is either unknown, or for which a patch has not yet been released. The plethora of different applications which are now commonplace in the workplace exacerbates the challenge of identifying such attacks, and in addition the financial cost of making updates to software and appliances may mean that organisations persist longer than advisable with vulnerabilities.

Cyber security approaches that rely on an understanding of past and known attack methodologies may struggle to identify and remediate zero-day attacks, as by definition these target previously unknown defects. According to Ponemon Institute, 80% of organisations which suffered a successful endpoint attack believe they were compromised by a zero-day attack in 2019.[9]

Changes in data storage and access

The rapid growth in the use of public cloud services, remote and hybrid working patterns; and the increasing connectedness of OT systems, are further complicating defences against malicious attacks.

As applications and data shift to the cloud, this replaces traditional defence perimeters. In a traditional on-premise ("**on-prem**") IT data centre, the company understands where its critical and sensitive data resides and has control of the legitimate flow of data in and out of its perimeter. In the cloud environment, however, data may move in and out of an organisation's perimeter more freely, as users access data stored in offsite locations, perhaps in different countries and involving more than one cloud provider or storage facility. This trend is expected to continue, with end-user spending on public cloud services forecast to grow by 18.4% in 2021.[10] It generally remains the cloud customers' responsibility to ensure the security of its data in the cloud environment, notwithstanding that the cloud service provider maintains the underlying data infrastructure.

The increase in remote and hybrid working patterns, accelerated by the COVID-19 pandemic, is leading to a significant increase in network access from remote locations via the internet. In order to allow employees to carry out their jobs effectively, data that previously was only accessible on-prem, has been opened up to remote users. At remote locations, employees may access their organisations via Wi-Fi and insecure domestic networks to which

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7 Forrester (2020), "The Emergence of Offensive AI"

8 https://www.cisa.gov/news/2021/01/05/joint-statement-federal-bureau-investigation-fbi-cybersecurity-and-infrastructure

9 Ponemon Institute (2020), "The Third Annual Study on the State of Endpoint Security Risk"

10 Gartner (2020), "Gartner Forecasts Worldwide Public Cloud End-User Spending to Grow 18% in 2021, https://www.gartner.com/en/newsroom/press-releases/2020-11-17-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-18-percent-in-2021

many other devices, with varying levels of security, may be connected. Such devices may include smartphones and tablets, but also those forming IoT, for example; televisions and domestic appliances. The global number of IoT-connected devices is forecast to approximately triple between 2018 and 2023.[11]

In addition, whilst service industries rely on IT environments, organisations managing industrial processes or infrastructure also rely on OT. OT is also increasingly embracing IoT, with smart manufacturing allowing internet access to a very wide range of manufacturing systems and devices, often supplied by third parties, and sometimes using old communication protocols. Many cyber security tools have been designed for the IT environment, and therefore may not be best suited to counter risks in the OT environment. In addition, the IT and OT realms are increasingly linked, raising the risk that a breach in one realm will reach into the other. A 2019 survey found that 77% of people in relevant critical infrastructure roles view the increasing links between IT and OT as a challenge for managing their OT security.[12]

Each of these factors have led to a significant increase in the number, location, and security of access points that can be targeted by malicious attackers. According to Forrester, only 53% of security experts feel that their company has a complete view of its whole attack surface.[13]

Shortage of cyber security professionals

The proliferation of attacks and their increased complexity have led to a material workforce gap, with over 50% of cyber analysts considering themselves overwhelmed according to Capgemini[14]. It is estimated that the number of unfilled cyber security positions will grow to 3.5 million by 2021[15]. This further increases the vulnerability of organisations to the growing threat environment. According to a survey conducted by ISC2 in 2019, 51% of cyber security professionals say their organisation is at moderate or extreme risk due to a cyber security staff shortage[16]. As a result, organisations are seeking more efficient, less labour intensive security products such as AI-driven, automated software.

Summary and Use of AI in Cyber Security

In light of the above-described trends, the Directors believe that organisations are increasingly recognising the need to devote resources into new defence solutions which can successfully address the threat of unpredictable novel attacks, identify and counter attackers once they are within the organisation's digital perimeter and respond to attacks within a timescale that prevents material harm.

In light of this, organisations are increasingly acknowledging that the solutions to these challenges will be AI. This is because an AI application that identifies and analyses all the relevant contextual data in the client's entire digital ecosystem, not just data historically associated with information security, will increase the likelihood of identifying unusual activity that could indicate the presence of a threat. In addition, once such a threat has been identified, an AI product that is able to link this up with other alerts elsewhere in the ecosystem and offer automated remedial action at machine speed will greatly reduce the risk of a harmful outcome for the organisation.

The Directors believe that the Darktrace platform provides the ideal solution to address the shortcomings of traditional cyber security solutions, and address the highly sophisticated threat landscape, using its AI technology.

Capitalise on growth in the overall market

The Group approaches its total addressable market ("**TAM**") opportunity in several ways. Darktrace's AI platform can be applied to companies of almost all sizes, across all sectors and geographies and is complementary to traditional security solutions likely already used by prospective customers. As a result, the Group approaches its TAM both by using a bottom-up approach based on addressable global companies and their potential adoption of Darktrace's offering, as well as a top-down approach based on the overall cyber security market size.

11 McKinsey (2019), "Growing opportunities in the Internet of Things" citing Gartner (2017), "Forecast: Internet of Things – Endpoints and Associated Services, Worldwide"

12 ARC Advisory Group / Kaspersky (2019), "The State of Industrial Cybersecurity"

13 Forrester (2020), "The Rise of the Business-Aligned Security Executive"

14 Capgemini (2019), "Reinventing Cybersecurity in Artificial Intelligence"

15 The 2019/2020 Official Annual Cybersecurity Jobs Report

16 (ISC)2 (2019), "Strategies for Building and Growing Strong Cybersecurity Teams, Cybersecurity Workforce Study, 2019"

The Group estimates that its current bottom-up TAM amounts to approximately $40 billion, reflecting a substantial global greenfield opportunity for Darktrace to capitalise on in order to sustain its strong growth. The bottom-up TAM is derived by multiplying the Group's ARR of $236 million in the financial year ended 30 June 2020 by the following factors:

- 37.5x to reflect 150,000 addressable companies, being those that have more than 250 employees globally compared to Darktrace's roughly 4,000 customers as of 30 June 2020 (addressable global companies based on OECD, Eurostat, US Bureau of Labor Statistics, and UK Office for National Statistics, excluding China and Russia)
- 2x to reflect the cross-sell opportunity within Darktrace's existing product offering
- 1.5x to reflect the up-sell opportunity to deploy the Group's products across the entire digital estate of its customers; and
- 1.5x to reflect the potential adoption of planned future product offerings, including prevention and cyber compliance as well as self-healing and self-remediating technologies.

The Directors believe that the cyber security industry is in the early days of a significant evolution, as traditional security approaches can no longer effectively protect organisations from cyber threats on their own. In this context, the Group also takes into account a top-down TAM approach considering the overall Information Security and Risk Management market, which Gartner estimates to amount to approximately $125 billion in 2020.[17] The Information Security and Risk Management market comprises Cloud Security, Network Security Equipment, Data Security, Integrated Risk Management, Security Services, Infrastructure Protection, Identity Access Management, Application Security, and Other Information Security Software. Gartner estimates the total market to grow at a compound annual growth rate of 8.2% from 2019 to 2024 on a constant currency basis.[18]

The Directors also believe the Group's growth opportunities are not only constrained to cyber security markets. By using its self-learning, autonomous AI technology, Darktrace can address use cases beyond cyber security. Whilst the deployment of AI has been mostly focused on the consumer space until now (e.g. Apple, Google, Facebook), the Directors believe that the broader Enterprise AI market will provide significant additional growth opportunities in the future.

Further information on the Company's products is set out in Part 5: "*Business*".

17 Gartner (2020), "Gartner Forecasts Worldwide Security and Risk Management Spending Growth to Slow but Remain Positive in 2020", https://www.gartner.com/en/newsroom/press-releases/2020-06-17-gartner-forecasts-worldwide-security-and-risk-managem

18 Gartner (2020), "Forecast: Information Security and Risk Management, Worldwide, 2018-2024, 2Q20 Update", https://www.gartner.com/en/documents/3988093/forecast-information-security-and-risk-management-worldw

Part 5

BUSINESS

Investors should read this section of this Registration Document in conjunction with the more detailed information contained in this Registration Document, including the financial and other information appearing in "Operating and Financial Review". Where stated, financial information in this section of this Registration Document has been extracted from the Group's financial information as described in "Presentation of Information".

1. OVERVIEW

Darktrace is a world leading provider of AI for the enterprise, with the first at scale deployment of AI in cyber security. Darktrace is a pioneer of self-learning AI and is at the forefront of autonomous response technology. Created by mathematicians, the Group's platform uses machine learning and AI algorithms to neutralise cyber threats across diverse digital estates, including the cloud and networks, IoT and industrial control systems. The technology learns self and requires minimal set-up, quickly identifying threats that have breached the perimeter, including threats exploiting previously unknown vulnerabilities, and threats by insiders and cyber attackers. With deep expertise in mathematics and machine learning, as well as operational experience defending critical organisational assets, Darktrace seeks to empower organisations to defend their systems against the most silent and sophisticated cyber threats.

Darktrace's innovative technology, its current market position and its strong balance sheet leave the Group well placed to continue to grow in a rapidly expanding market. The Group currently serves over 4,700 customers in over 100 countries, with more than 1,500 employees globally. Darktrace is headquartered in Cambridge, UK.

The increasing speed and sophistication of cyber attacks has made it more difficult for traditional security providers to defend against these attacks. Offensive AI and silent attacks have made it more likely that an attacker will surpass existing security measures. Organisations are increasingly vulnerable to cyber attacks as a result of increasingly fragmented and complex digital operations that blur the boundary between the inside and outside of networks; data explosion and proliferation and overwhelmed security teams. Organisations with traditional security solutions remain vulnerable to attacks. Approximately 74% of Darktrace's trial deployments in 2020 detected serious vulnerabilities that very often had evaded other defences and quickly demonstrate to prospective customers the comprehensive nature of the AI driven technology.

Unlike traditional cyber security methods, Darktrace's Cyber AI Platform learns the normal operations of an individual customer and continuously adapts to change. Because the technology understands self, it identifies when an emerging threat develops in any part of the digital estate and autonomously responds to it by enforcing normal operations. The Cyber AI Platform utilises self-learning technology, not pre-programmed rules and signatures, enabling the ability to identify zero day attacks, which exploit vulnerabilities before they can be fixed. Darktrace's Cyber AI Platform can protect across an entire organisation and provide holistic visibility with proportionate responses at machine speed. Beyond the speed of detection and response that the Cyber AI Platform's advanced technology employs, from the customer's perspective the output is displayed simply, in an easy to understand format. The Cyber AI Platform's average set up time is one hour and the machine learning gains visibility through software sensors that analyse raw, real-time data.

Darktrace spans the digital business, providing overarching capabilities critical to a complete, continuous security platform. The Darktrace Cyber AI Platform can provide protection throughout the workforce, infrastructure and industrial side of a business, offering a fully automated solution with three main areas of focus: (i) self-learning detection, (ii) automated investigation and (iii) autonomous response.

The Enterprise Immune System and Industrial Immune System use self-learning AI technology to spot the subtle signals of sophisticated attacks and do not rely on traditional rules and signatures to help detect attacks and defend against them. The Cyber AI Analyst product augments human cyber security teams, by automatically triaging, interpreting and reporting on security incidents. The Directors believe Darktrace Antigena is the first solution to use autonomous response to interrupt detected attacks.

The Group's next phase of product development will focus on prevention and cyber compliance using automated penetration testing and cyber hygiene compliance, as well as self-healing and self-remediating technologies. In collaboration, these products will offer a closed loop AI platform that can operate at machine speed.

The Group's revenue increased from $79.4 million in the financial year ended 30 June 2018 to $137.0 million in the financial year ended 30 June 2019 and $199.1 million in the financial year ended 30 June 2020, an increase of 72.5% and 45.3% respectively. The Group's revenue increased from $91.1 million in the six months ended 31 December 2019 to $126.5 million in the six months ended 31 December 2020, an increase of 38.9%. The Group's operating loss decreased from $40.6 million in the financial year ended 30 June 2018 to $36.2 million in the financial year ended 30 June 2019 and $24.9 million in the financial year ended 30 June 2020 as the Group achieved economies of scale, primarily in sales and marketing. The Group's operating loss decreased from $21.5 million in the six months ended 31 December 2019 to $4.9 million in the six months ended 31 December 2020. Over the last year the business has grown substantially. In the six months ended 31 December 2020, the Group recorded total RPO of $612.3 million, which is an increase of $156.6 million, or 34% over the six months ended 31 December 2019.

2. COMPETITIVE STRENGTHS

The Directors believe that the Group benefits from the following competitive strengths:

Leading AI platform in enterprise computing with first application in cyber security

The Group is at the forefront of introducing autonomous self-learning technology through its AI immune system approach. The AI immune system approach is self-learning and continuously evolving, understanding clouds, networks, endpoints, users and their interactions. The Directors believe that this powerful technology will have many applications across a variety of sectors. Given the limitations of traditional technology in the cyber security sphere that is underscored by public security breaches of governments and large corporations, the Group has focused the first application of this technology in cyber security. The AI immune system approach focuses on understanding a customer's business itself, rather than using signature or rule-based approaches based on historical attack data or predictions, which are often employed by traditional perimeter-focused security solutions attempting to integrate AI. Through an understanding of a customer's business, the platform can detect aberrations to an individual customer's normal digital operating state thus providing a revolutionary security production, complementary to traditional perimeter-focused security approaches, and can neutralise threats across digital businesses that would otherwise go unnoticed. In addition to current and planned cyber security innovations, the Group's technology has substantial potential beyond cyber by introducing AI throughout enterprise IT.

At the forefront of the next evolutionary wave in the cyber security industry

Digital businesses are often fragmented and involve complex IT estates. With the rise of Cloud and IoT, and the proliferation of data, the boundaries of IT networks are increasingly blurred. This increasing scope and complexity has left traditional perimeter-focused security approaches struggling to keep up and enterprises vulnerable to attacks, evidenced by the cyber infiltration of 80% of Fortune 500 companies[19]. Darktrace's innovative technology is leading the next evolutionary wave to combat increasingly complex and aggressive threats by upending traditional limitations through a fundamentally different approach. The Darktrace Enterprise Immune System uses advanced AI technology to understand the "normal" of an organisation as the basis of security, recognising normal interactions for the individual business and responding at machine speed to abnormal interactions. Instead of securing perimeters, this understanding of "normal" cuts across an organisation's fragmented and complex IT estates, understanding the normal interactions between each component part and responding when an individual system's normal is disturbed. Darktrace's cloud-native AI technology incorporates unsupervised machine learning and deep learning capabilities driving Darktrace's scalable, self-learning and constantly adapting technology. Darktrace's technology autonomously detects and responds to anomalies at machine speed, intending to identify as early as possible.

The leading autonomous cyber security AI products, with ability autonomously to detect, respond and investigate threats

Darktrace's AI platform is comprehensive, underlying a broad range of solutions that incorporate self-learning detection, autonomous response, and automated investigation capabilities. This broad range combines multiple products on one unified, simple to use platform, providing full visibility, via a customisable dashboard, into an organisation's digital estate. In addition, the platform's breadth creates a defensive capability as it uses broad access enterprise data to continuously to improve its capabilities. Darktrace's key product families include:

- <u>Enterprise Immune System:</u> Darktrace's flagship AI technology solution, with individual Enterprise and Industrial focused products, provides self-learning technology for detecting cyber-threats and vulnerabilities.

19 Forrester (2020), "The Rise of the Business-Aligned Security Executive"

- Darktrace Antigena: self-learning technology autonomously responding to network and email cyber-threats and vulnerabilities, at machine-speed with targeted and proportionate responses.
- Cyber AI Analyst: automatically triages, interprets and reports on a broad scope of security incidents, addressing a shortage of cyber professionals by augmenting human cyber security teams.

The Darktrace platform spans the entire digital estate, from the workforce, including email, Software as a Service ("**SaaS**") applications and endpoints, to infrastructure, including on-premise, hybrid and cloud networks, to industrial settings, including OT and IoT. Darktrace's broad approach stands in contrast to traditional siloed solutions which create perimeters around specific components, historically often leaving exploitable gaps in protection.

Differentiated sales model and strong value proposition for customers and partners drive rapid new customer growth and long-term customer relationships

The Group's business model, high quality security platform and the user-friendly interface of this platform have enabled the Group to build a strong brand and loyal customer base for its AI platform. Darktrace's primary approach to acquire new customers is through the Proof of Value ("**POV**") trials of its technology. POVs require limited scoping and minimal set-up, and thus can demonstrate Darktrace's substantial value proposition to potential customers normally within the trial period. POVs form the basis of a highly replicable and scalable sales approach, revealing to prospective customers' security issues, driving rapid purchasing processes. In 2020, approximately 74% of POVs identified serious vulnerabilities in a prospective customer's digital estate, providing a clear demonstration of Darktrace's value proposition.

The majority of the Group's sales are generated by its direct sales personnel. The Group relies heavily on its direct sales personnel to promote its platform, and as such, prefers a "home-grown" approach to training its employees, primarily hiring new graduates. Darktrace's sales team consists of energetic graduate hires from top universities with strong academic qualifications. The sales team is trained and developed over time. The Directors believe customers appreciate the drive and clarity of the sales team. Channel partners, including resellers and system integrators, supplement the direct sales force, further driving customer base expansion.

The impact of Darktrace's unique AI platform and sales approach has resulted in a rapidly expanding customer base and long-term customer relationships. This customer base includes customers across all industries and organisations of all sizes, and the Group's customers have increased by a compound annual growth rate of 53% between the financial years ended 30 June 2018 and 30 June 2020. Among these customers, Darktrace has become a trusted partner to multiple blue-chip organisation customers, which grant Darktrace access to their central corporate computing systems. As of 31 December 2020, the Group had over 4,600 customers, with customers in more than 100 countries.

Broader adoption of technology platform enables substantial growth opportunities

Darktrace was founded with a philosophy focused on understanding the "self" of the customer's business. This in turn enables the Group's vision of a full "closed loop" approach, already including detection and response, with remediation and prevention under development. A self-learning, self-healing network that can protect, detect, defend and heal, benefits from a virtuous cycle in which each component feeds the next. This "closed loop" approach is the basis for a unique, fully automated cyber security solution. Darktrace believes the value of the platform and closed loop approach are easily understood by customers, as evidenced by upsells and cross-selling to existing customers. Customers increasingly purchase products across the entire Darktrace platform, with 81% of customers in the six months ended 31 December 2020 buying two or more products, up from 27% in the financial year ended 30 June 2018.

Attractive financial model combining rapid growth at scale, revenue visibility, strong underlying profitability, and cash generation potential

The Group has an established track record of rapid growth, continuing as the business has scaled, increasing by a CAGR of 58% annually from the end of the financial year 2018 to the end of the financial year 2020. This growth is combined with a high level of revenue visibility, driven by a subscription-based revenue model, typically paid up front, enhancing the predictability and visibility of the Group's future revenue streams. For the financial years ended 30 June 2020, 2019 and 2018, as well as the six months ended 31 December 2020 and 2019, substantially all of the revenue was derived from subscription-based contracts. Revenues are primarily derived from prior period billings recorded as deferred revenue to be recognised in future periods. Revenue from subscription agreements is recognised on a deferred basis over the life of the agreement, which average three years. As of

31 December 2020, the Group had $612.3 million in RPO, representing revenue contracted but not yet recognisable.

As an AI-driven technology company, the Group benefits from industry-leading gross margins, in contrast to more bespoke software companies. In addition, the Group has low overhead costs, with its personnel costs comparatively low, due to its research and development team being located in Cambridge, UK, a lower-cost jurisdiction than, for example, Silicon Valley, US. The Group's highly efficient research and development spend is also driven by the self-learning nature of its technology, which by design requires less input from engineers to improve performance. The Group also maintains a cost-efficient distribution model with comparatively lower sales costs due to the model of hiring and training talented graduates. The relatively low capital needs associated with the Group's business model enable strong operating cash flow generation potential.

Experienced management team with strong track record of execution and deep AI expertise

The Group's management team has significant experience in AI technology, product development, and sales and marketing. Each member has multiple years of experience in the software and AI industries. The majority of senior management has been with Darktrace since inception. The experience and energy of the management team have led the Group through its rapid growth and industry leadership, increasing total customers from approximately 230 in the financial year ended 30 June 2016 to more than 4,600 in the six months ended 31 December 2020. The Group's management team has experience working at blue-chip companies such as Oracle, Quest, 2U, Imperva, and Autonomy, and has been key in attracting and retaining talent from similar companies. Darktrace has retained its innovation-led, energetic culture since inception, driving high employee satisfaction.

3. STRATEGY

The Group has the following key business growth strategies:

Continued focus on innovation to strengthen further existing capabilities, add new capabilities, add new use cases, and amplify the virtuous cycle of the Group's "closed loop" strategy

The Group's next phase of product development is focusing on prevention and cyber compliance using automated penetration testing and cyber hygiene compliance, as well as self-healing and self-remediating technologies. In collaboration with Darktrace's current offerings, these products aim to offer a full, "closed loop" AI platform operating at machine speed. The individual capabilities of the closed loop expect to amplify each other's strengths, leading to an embedded virtuous cycle of self-learning and self-healing technology. In addition, the Group's existing products already span a broad spectrum of the digital estate and provide critical security capabilities. The Group's products are uniquely positioned to improve over time as a result of the self-learning technology underpinning the Group's products. As more data from existing and new customers is fed into the Group's AI technology, the products become better at detecting and responding to new threats while adapting to changing environments. Ever-improving products in turn enable the Group to attract new customers resulting in a virtuous circle of self-learning technology.

Continue to win new customers, leveraging a highly effective go-to-market strategy, and address a large greenfield opportunity

The Darktrace AI platform is based on advanced AI technology that detects and responds to attacks other solutions may not identify. It also offers a simple to set up, simple to use, and easy to understand experience. In addition, this experience is easy to demonstrate on potential customers' own systems in a trial period through POVs, which convert into new customers at a high rate. Based on a combination of energetic sales teams and an impactful POV sales approach, the Group has a highly effective and differentiated go-to-market strategy with a proven track record of generating rapid growth in customers. Using this effective go-to-market strategy, Darktrace's AI platform can be applied to companies of all sizes, across all sectors and geographies and is complementary to traditional security solutions likely already present in prospective customers. There is therefore a substantial global greenfield opportunity in winning new customers.

Drive platform adoption

The Group has a track record of increasing the number of products per customer over time, increasing the percentage of customers with two or more products from 27% in the financial year ended 30 June 2018 to 81% in the six months ended 31 December 2020. The Group's multiple products also enable multiple entry points to win new customers, and further product expansion to complete the "closed loop" will provide additional entry points. The Group has a track record of expanding within existing customers, increasing the number of accounts with ARR above $100,000 and above $250,000 over time. Additional ARR comes from volume-based subscription pricing, arising from cross-selling and by increasing the coverage of existing customer estates. As the Group has expanded, it has been able increase focus on maintaining relationships with its existing customers by establishing an internal customer success team, providing consistent coverage of top accounts and expecting to drive substantial upside to net dollar retention rates. The Group aims to use its scale, historical expertise and user data continuously to find new up-sell and cross-sell opportunities.

Continue to expand globally

The Group has customers in more than 100 countries globally. In the six months ended 31 December 2020, the Group generated 18.1%, 20.5%, 39.4% and 22.0% of its billings from customers in the UK, Europe (excluding the UK), the US and Canada, and the rest of the world, respectively. The Directors expect the Group's operations in the Americas to grow at a higher rate than in Europe and the rest of the world, even whilst operations in Europe and the rest of the world are expected to continue to grow at rates that exceed those of the market. The Directors believe that the Group's strong footprint in Europe and significant presence in the US, as well as dedicated customer success team function and channel partners, provide considerable opportunity to grow across all of the Group's key geographical regions. As a result, the Group intends to grow the sales teams, particularly in the US, and continue to invest in marketing and industry events to increase brand awareness.

Apply existing core capabilities to expand technology to additional uses across the enterprise

Darktrace's AI immune system approach is the first at scale use of AI in the enterprise. While many companies attempt to integrate AI into their solutions, Darktrace's AI heritage has driven its technological leadership. The Group's first mover advantage is amplified by the virtuous cycle of its self-learning technology improving with additional data. The Group's platform is underpinned by cloud-native technology, enabling flexible deployment of all products across all digital businesses. The Directors believe there is substantial potential to apply its technology to additional uses across the enterprise, resulting from its unique approach of understanding an organisation's "normal".

4. HISTORY

Darktrace was founded in Cambridge in 2013 out of a collaboration of cyber experts from various government intelligence backgrounds and mathematicians who were experts in machine learning. Together, they realised that mathematics could be applied to protect against cyber security threats, leading to the inception of Darktrace. The Group was driven by its mission to transform fundamentally the ability of organisations to defend their most critical assets in the face of rising cyber threats. The Group has experienced rapid uninterrupted growth since inception and has become one of Europe's fastest growing technology companies.

In 2014, Darktrace launched its Enterprise Immune System, a fundamental AI technology for OT cyber defence which works to learn a "pattern of life" for every user, device and controller. The success of this initial offering earned it the title of "Gartner Cool Vendor" and "World Economic Forum Tech Pioneer" in 2015.

In 2016, Darktrace's AI offering was bolstered by the launch of the first-ever autonomous response technology, Darktrace Antigena. This innovation allowed the Enterprise Immune System to react to in-progress cyber attacks in a precise way, taking the pressure off the security teams working to defend against the attacks. In the same year, Darktrace expanded to over 230 customers and over 200 employees.

The following year, in 2017, the Group continued to grow and scale, launching its new business unit, Darktrace Industrial. Darktrace Industrial is dedicated to fighting threats in industrial and SCADA networks, building on a strong base of customers that use Darktrace AI to protect critical national infrastructure and OT. Darktrace also expanded to over 800 customers and over 400 employees in 24 offices globally. In the same year, Darktrace raised £38 million from its Series D fundraising, which increased working capital and was used to grow the business.

In 2018, Darktrace announced its Cloud capability. The Group also opened its current headquarters in Cambridge, UK, increasing its team to more than 700 employees to accommodate the expansion of its global sales footprint and customer base of over 1,660 customers across 33 offices globally.

The following year, in 2019, after many years of development the Group launched Cyber AI Analyst. Cyber AI Analyst offers fully automated threat investigation at machine speed, addressing the shortage of cyber security professionals needed to meet cyber threats. In the same year, Darktrace launched Antigena Email and expanded to cover over 2,750 customers, with over 900 employees across 40 offices globally. By the end of 2019, Darktrace ranked 12th in Deloitte UK Technology Fast 50 with a four-year growth rate of 2,446%. In addition to this ranking, Darktrace has been recognised by the numerous awards it has won. Darktrace is the winner of "AI Business of the Year" at Lloyd's Bank National Business Awards in 2019, "Security Innovation of the Year" at UK IT Industry Awards in 2020, and "Best AI/Machine Learning Provider" at Computing Technology Products Awards in 2020. Darktrace has also been named in "The Forbes Cloud 100 2020" and "FT 100 Europe's fastest Growing Companies 2020." lists.

For the financial year ended 30 June 2020, Darktrace reported $199.1 million in revenue and its technology was deployed in more than 100 countries around the world. For the six months ended 31 December 2020, Darktrace had $612.3 million of RPO and its Cyber AI had investigated over one million security events per week.

The Group's global footprint continues to grow and now has over 4,700 customers, in over 100 countries and has over 1,500 employees globally, and has been certified as a Great Place to Work by Great Place to Work UK.

5. THE CYBER AI PLATFORM

Darktrace's Cyber AI Platform is the first at scale in the enterprise deployment of AI in cyber security, aiming to provide complete, continuous and autonomous security. The Cyber AI Platform increases customers' ability to protect critical data systems and digital infrastructures enabling them to keep pace with an ever-evolving threat landscape with limited human resources. Cyber AI is a self-learning technology that is underpinned by data from varied types of sources and activity that it observes, including cloud systems, networks, devices and industrial systems data, driven by billions of probability-based calculations. The Darktrace Cyber AI Platform continuously investigates threats with the speed and scale of AI, reducing triaging time by up to 92% and automatically writing reports in executive-friendly language. Because the Cyber AI Platform detects threats in real time, it is able to provide real time responses against these threats.

The Cyber AI Platform comprises the Immune System, Cyber AI Analyst, and Darktrace Antigena. Coverage of the digital estates spans across clouds, email, endpoints, networks, SaaS applications, IoT, and industrial control systems.

The Immune System

The Cyber AI Platform offers two variations of the Immune System: the Enterprise Immune System and the Industrial Immune System. The Enterprise Immune System is a self-learning cyber AI technology that detects novel attacks and insider threats at an early stage. The system observes users and devices, cloud containers and workloads to learn what is "normal" for an organisation. The system learns from an organisation's data, forming a bespoke and evolving understanding of a business' digital environment. The system maps and detects threats in all environments including Windows and Macs, AWS, Microsoft Azure, Google Cloud, Microsoft 365 including Exchange, Sharepoint, OneDrive and Teams, Salesforce, Box and many other Saas applications, on-prem and networks. The latest update, Version 5.0, includes Cyber AI Analyst enhancements, C-sensors and endpoint visibility, extended SaaS capabilities and one-click integration. This extensive list of coverage enhances the system's ability to provide a complete view of an organisation's entire digital estate.

In an OT environment, the Cyber AI Platform uses the Industrial Immune System, which uses its AI technology for OT-specific cyber defence. It works by passively learning a "pattern of life" for every user, device and controller across OT, IT and industrial IoT, allowing it to detect even the subtlest signals of emerging cyber threats in real time. The product works for radically different technologies and deployment types, from decades old programmable logic controllers) to distributed sensors and industrial IoT. This allows the self-learning AI to secure the full range of OT-centric environments and organisations. The system is used extensively across all industries not limited to but including Energy and Utilities, Manufacturing, Oil and Gas and Maritime.

The systems analyse raw and real-time data throughout the cloud, SaaS, networks, clients, industrial/IoT and email. The system then uses a combination of unsupervised, supervised and deep machine learning to detect threats in real time. This self-learning approach uses a threat classifier along with user, device, peer group, network and application/process modelling to detect threats. After this detection phase, Darktrace uses the Darktrace Antigena and Cyber AI Analyst to respond instantaneously.

Darktrace Antigena

Darktrace Antigena uses Autonomous Response, believed to be the world's first solution to use AI to target and interrupt cyber attacks by enforcing normal business operations. The Directors believe Darktrace Antigena is the only solution that can interrupt attacks at machine speed and with precision, even if the threat is targeted or entirely unknown. Unlike legacy defences, Antigena can deliver an intelligent autonomous response because its actions are grounded in Darktrace's core AI engine where decisions are made in real time, aware of subtle deviations that reveal novel or targeted attacks and continuously evolving based on dynamic observation of attacks as they unfold. Its actions are informed by a correlation of patterns across the digital environment. Unlike traditional methods which utilise single data points, Darktrace Antigena's actions are based on a deep understanding of each particular organisation.

Antigena Email uses Darktrace's core artificial intelligence to stop advanced email threats, intervening to protect employees from threats targeting an inbox. The product does not analyse emails in isolation and instead continuously updates its understanding of the inbox for every sender and recipient in the context of the wider organisation. The unique advantage of the cloud-native AI is that it understands the individual user and treats users as dynamic individuals and peers, not mere email addresses. It does not rely on rules or historical attack data and instead analyses inbound, outbound and lateral emails. By treating recipients as dynamic individuals and peers, Antigena Email is able to stop the full range of targets threatening the inbox from advanced spear phishing and supply chain attacks to spoofing and solicitation and employee account takeover.

6. TECHNOLOGY ARCHITECTURE

The Group has numerous key technologies underpinning its Cyber AI Platform, including: self-learning, Cyber AI algorithm development, Cyber AI Analyst technology and autonomous response technology. The Directors believe that these fundamental technologies set the Group apart from others in the market and the thousands of customer digital estates it has learned over years provide the Group with a significant first mover advantage fuelled by more deployments and more data.

Self-Learning

Self-learning is critical because, unlike supervised approaches, it does not require labelled training data. Instead it is able to identify key patterns and trends in the data, without the need for human input. The Group uses unique self-learning algorithms to analyse enterprise data at scale, and make billions of probability-based calculations based on the evidence that it sees. Instead of relying on knowledge of past threats, it independently classifies data and detects compelling patterns. From this, it forms an understanding of "normal" behaviours across the infrastructure, pertaining to devices, users, or cloud containers and sensors, and detects deviations from this evolving "pattern of life" that may point to a developing threat.

Darktrace complements its core self-learning with other techniques including deep learning, clustering, and supervised machine learning. For example, its Enterprise Immune System uses self-learning AI to learn normal patterns and it also utilises deep learning that uses the cascading interactions of layered mathematical processes – known as neural nets – to give intelligent systems a higher degree of insight. Multi-layered neural nets can improve the detection and remediation of certain threats, for example, in the identification of DNS anomalies, which are less effectively tracked by other machine learning methods. Darktrace clusters devices into peer groups, based on its own understanding of how those devices behave, and uses some supervised learning to uncover sequences of breaches, unusual patterns, or to detect aberrant activity at a higher, more holistic level.

Cyber AI Algorithm Development

The technology works by ingesting data from diverse sources across the organisation and feeding it into machine learning algorithms which are each applied to every user and device in an organisation. The algorithms each have different strengths / weaknesses with respect to different data features, and operate in competition with each other to deliver the best model of normal behaviour for each user and device in the organisation. In order to determine which algorithms to listen to at any given moment, Darktrace uses a unique implementation of Recursive Bayesian Estimation, which leverages probability theory to act as a smart-thresholding filter that contextually weights and rescores the outputs from all of the machine learning detectors in light of their previous performance for a given data feature on a given entity. The classifiers learn how well each detector is working in any given situation and adjusts every anomaly score up or down accordingly. This acts like a veteran analyst giving feedback to the Cyber AI Platform so that the various strengths of the machine learning techniques can be harnessed in different situations

While all of the layers of mathematics in Enterprise Immune System include intellectual property and some advances in the underlying theory, it is the classifiers that represent one of Darktrace's key inventions. The classifiers are based on a building block of ideas from Bayesian belief modelling, allowing Darktrace to embrace the widest variety of detector approaches, and keep them truly self-learning without needing to revert to a legacy approach and pre-configure the system with assumptions or business logic regarding people, processes, or devices. This unique approach establishes a highly accurate and evolving "pattern of life" for every user and device and all the complex relationships between them and is especially resilient and often uniquely helpful in visualising and threat hunting within messy/chaotic digital environments.

Cyber AI Analyst Technology

Extensive real-life data and experience over many years have made the algorithms "think" like cyber analysts. The way Darktrace has done this is to track automatically every cyber analyst action on their computers, in order to learn what the human did (type of threat, flagged how, how it is responded to etc.), and feed this back into the algorithm development. This is a fully automated process of data collection, across all cyber analysts on a permanent basis, to provide 100% data capture and hence a complete picture for the R&D team to understand how their product is working and where it can be improved. This capability is further enhanced by automating as many of these processes as possible. This ensures the product is most useful for customers, with minimum manual work, helping security teams to focus on higher priority cyber projects.

Autonomous Response Technology

The Autonomous Response technology allows organisations to respond to attacks by neutralising them and taking the pressure off the security teams working to defend against the attacks. It uses Cyber AI to calculate the best action to take, in the shortest period of time, to respond effectively to a cyber attack. The Directors believe that this technology is fundamental as today's threats are so fast-moving and advanced and increase as digital businesses grow in scale and complexity. Antigena Network uses the autonomous response to neutralise cyber threats at machine speed and to defend against stealthy, novel and fast-moving network based attacks. Antigena Email utilises self-learning AI technology to understand the email patterns of an individual user and respond to deviations that can reveal attacks. Different from traditional security methods that work by analysing emails in isolation and at a single point in time, Darktrace's cyber AI continuously learns the normal pattern of behaviour for every user and can then spot and respond to subtle changes in real time, catching even highly targeted and advanced email attacks.

7. SALES, MARKETING AND DISTRIBUTION

The Group's business model, high efficacy security platform and the user-friendly interface of this platform have enabled the Group to build a strong brand and loyal customer base for its Cyber AI Platform. As a result, the Group benefits from significant efficiencies in its marketing activities for its platform. Autonomous response AI is easily applied and can be used across industries and sectors throughout companies of all sizes from small businesses to global organisations providing significant commercial opportunities. In addition, as a large portion of the Group's revenues are generated from annual subscription agreements with an average three-year commitment, there is significant revenue visibility. The Group sells its platform both directly to customers and through its channel partners, which includes resellers and managed security service providers. The Group receives its income from selling and upselling its products, and as of 31 December 2020, approximately 65% of revenue was from direct sales whereas approximately 35% of revenue was through a channel partner. This approach has resulted in rapid growth and increasingly brand awareness.

Direct Sales

The majority of the Group's sales are generated by its direct sales personnel. The Group utilises its direct sales personnel to promote its products, and as such, prefers a "home-grown" approach to training its employees, primarily hiring new graduates. Graduate hires are trained, given experience and allowed to shadow other sales personnel. An employee incentive program for sales exists that pays employees formal commission on sales including uncapped commission on new deals, upsells and renewals. Approximately 50% of the commission is paid on accepted bookings and approximately 50% upon successful account management over the first year. There is the expectation that talented personnel will be retained and promoted quickly to a junior manager role.

Channel Partners

Although the majority of the Group's sales are direct to customers, the Group also relies on its channel partners to sell and market its products. The Group has over 370 active channel partners that operate globally in almost 70 countries. These channel partners increase brand visibility and sales for the Group and assist in penetrating markets where the Group does not have a significant direct sales team. The Group's partners include Atos, BT, Reply, SHI, Bytes, Computacenter, Eurofins, Telstra, Sis, Nth Generation and ConvergeOne. For the six months ended 31 December 2020, the Group's largest channel partner accounted for approximately 2% of its total revenue. Channel partners are assigned a channel relationship manager and are supported by the Group through training, access to sales resources and technical support. The use of channel partners enables the Group to scale its end customer base cost effectively, and expand the reach of its own direct sales teams.

Strategy to Acquire Customers

Darktrace's primary approach to acquire new customers is through the POV trials of its technology. The POV typically consists generally of a three week trial of Darktrace's products, allowing each potential new customer the opportunity to evaluate the capabilities of the platform's self-learning technology on the potential customer's own systems free of charge. Upon commencing the POV, Darktrace's products are deployed across a potential customer's digital business either in the cloud or by an on-premise appliance. The technology is activated quickly with minimal set up time or expense. As the Cyber AI Platform does not require customisation and can be deployed with minimal set up expense, the POV is both fast and replicable. The Cyber AI Platform's seamless integration of new capabilities also allows its customers rapidly to see the benefit of utilising a combination of Darktrace's products, and a high percentage of customers acquire a second product within the first year. The Group rarely loses potential customers to its competitors in head to head comparisons.

Strategy to Retain Customers

Darktrace is focused on maintaining relationships with its existing customers. In 2018, to help maintain its customer relationships, Darktrace established a customer success team. As of 31 December 2020, Darktrace had 90 customer success team managers globally. The Group takes a two-tiered approach to retention in which large organisations each have a dedicated manager and mid-level to small customers are assigned a manager from a pool of managers. Each customer has access to the support team, which provides English and local language support globally. In addition, these personal relationships with customers facilitate the cross-selling of additional products as they are developed. As of 31 December 2020, 81% of customers were using two or more products compared to 27% as of 30 June 2018.

Customer Base

The Group's customer base is both deep and broad, including customers across all industries and all sizes. The Group has over 4,700 customers globally, with products deployed in more than 100 countries. Furthermore, in the six months ended 31 December 2020, the Group generated 18.1%, 20.5%, 39.4%, and 22.0% of its billings from customers in the UK, Europe (excluding the UK), the US and Canada, and the rest of the world, respectively.

Marketing

The Group's marketing approach focuses on creating brand awareness and informing potential customers about new cyber attack trends and the platform's latest products. This allows the Group to build and maintain, through relevant digital content and online communication, a substantial customer base and community. The Group's marketing approach works to build brand awareness and is able to attract customers to its website (www.darktrace.com). Twice-weekly, the Group's Darktrace Blog publishes up-to-date information on recent notable cyber attacks and highlights the utility of the Cyber AI Platform. Viewership has increased four times since March 2020. In addition to demonstrating the success of the Cyber AI Platform, the blog regularly publishes cyber security news and updates pertaining to Email Security, Cloud & SaaS Security, OT Security, autonomous response and Crypto-Mining. In addition to the website, the Group engages with current and potential customers through its social media channels including its Twitter, Linkedin profiles, Facebook and Xing (Germany). The Group also has a group of recognised experts who regularly appear on national and global news programmes, in publications and at industry conferences to provide pragmatic advice on the changing cyber security landscape.

The Group's premium media partners include but are not limited to, The New York Times, The Washington Post, Bloomberg Businessweek, The Wall Street Journal, Nikkei Business Publications Inc., the Financial Times, Les Echos and The Economist. The Group utilises digital advertising, including large custom and units, newsletter and global print advertisements and primarily focuses on the US market.

The Group attends industry trade shows and conferences, regularly communicating with industry analysts and hosts webinars on current issues to create awareness of the Group's Cyber AI Platform. Despite having to cancel a majority of face-to-face events during the COVID-19 pandemic, the Group has continued to host virtual events including webinars and including webinars and virtual seminars. Per month, the Group participates in an average of 79 events, and generates between 6,000 and 12,000 leads. Darktrace also relies on its digital marketing and key thought leadership campaigns to endorse its platform including partnerships with MIT Tech Review and McLaren Racing.

Distribution

Darktrace's cyber security products use sensors placed in customer systems. These sensors can be delivered virtually (in software) or physically (using an appliance) and are commonly used in combination. In many cases, the sensors deployed during the POV remain in place given that the machine learning has already learned the organisation's "self". In the case of large customer deployments, additional products and sensors may be licensed and deployed. When physical appliances are part of the contract, distribution is required.

The Group has two primary distribution centres of its physical appliance unit, one based at its headquarters in Cambridge, UK, which focuses on shipments outside of Europe and the other in Dublin, Ireland, which focuses primarily on shipments throughout Europe. The physical appliances are standard components that are built into server units by Darktrace suppliers at either of its two distribution sites. Each physical appliance is encoded such that it can only be used in conjunction with the Darktrace products. Darktrace receives the pre-built server units and will then load software onto the appliance including pre-configurations individualised for the customer. The pre-configuration process is specific to each customer, however, there are a number of build scripts that allow this to run at scale. The Darktrace team at the distribution site can prepare hundreds of appliances a day through the use of scripts, ready for shipment to customers.

In some regions, channel partners facilitate onward transport and installation of the appliance and they may provide a range of additional services. In other regions, the Darktrace appliance is delivered directly to the customer and installation and a range of services are provided virtually. In addition to the possibility of remote installation, Darktrace generally has its own technical teams including cyber technicians and engineers, in most parts of the world who will make site visits, when possible, and perform installation.

8. RESEARCH AND DEVELOPMENT

The Group had research and development costs of $12.0 million in the financial year ended 30 June 2020, representing 6.0% of the Group's total revenues. The Group's research and development costs were $9.7 million for the financial year ended 30 June 2019 and $7.5 million for the financial year ended 30 June 2018, or 7.1% and 9.5% of revenues, respectively. The Group's research and development costs were $10.7 million for the six months ended 31 December 2020 and $5.6 million for the six months ended 31 December 2019, or 8.4% and 6.1% of revenue, respectively.

The team designated to expand the Cyber AI Platform has two primary goals, meeting the long term and short term vision for the Cyber AI Platform. The short term development strategy is commercially driven and aims to identify updates, features and new products based on customers' needs and expectations. The Group works with its customers to address any improvement requests specific to that customer's business needs, as the nature of a customer's threat landscape is constantly changing. To respond to such requests, the Group has implemented a system internally that focuses on review and responding to such requests within a week. These customer requests help the Group target development efforts, and a feature or change originating with a customer request is typically implemented within six weeks. For example, in response to the COVID-19 pandemic and the shift in working patterns created by employees working from home, Darktrace developed its C-sensor technology. Darktrace's customers needed a supplemental feature that would provide visibility when employees are not within their corporate network. To provide for these changes in the users, Darktrace released sensors to install into customers' employee laptops to provide the same AI driven protection and detection that would have been received in their office space. This C-sensor technology was developed on short notice and ensured that given the change in working pattern, the Group's customers would still have full visibility of compromises and threats to their digital estates.

The long term development strategy for the research and development team is focused on providing a "closed loop" solution to customers within the Cyber AI Platform, including a fully automated cyber defence solution at machine speed. The next phase of Darktrace's research and development focuses on prevention and cyber compliance which will be implemented through the use of automated penetration testing and cyber hygiene compliance of a customer's digital estate. The research and development team is working to provide a more proactive view of the risks posed to a customer's business. Once the team develops a product that sufficiently meets this goal it will turn its attention to the healing and remediation process in the aftermath of an attack.

In addition to working towards the Group's short and long term visions, the research and development team's development operations group focuses on quality assurance and an additional group focuses on customer support on an as-needed basis. The Group's customer support connects a customer with an appropriate expert based on the specific issue and the specialty required to fix the relevant issue. Throughout the research and development process, the development strategy for the Cyber AI Platform also focuses on adjacent areas to cyber security and potential industries outside of cyber security that the Group might consider expanding within by using the same AI technology used within its Cyber AI Platform.

A separate group focuses on improving the Cyber AI Platform's features, functionality and scalability. This team dedicated to enhancing the existing Cyber AI Platform also works closely with the Group's cloud operations team to ensure that the Cyber AI Platform is available, reliable and stable.

Despite its already substantial and continuously developing technological achievements, the Group is able to support its research and development initiatives at a relatively low cost. This is due in large part to the automated AI-based infrastructure, the use of unsupervised machine-learning and the Group's method of recruiting research and development personnel. The Group primarily recruits accomplished new graduates with science-and mathematics-focused degrees from notable universities rather than experienced hires, and provides in-house training to familiarise its new hires with the technology quickly and effectively, whilst at the same time fostering a collaborative, close-knit culture within the team. This in-house training allows Darktrace's new graduates to grow and focus in different specialities, including web developers, mathematicians and multi-language coders.

As of 31 December 2020, the Group had more than 200 employees focused on research and development, representing 14% of its total headcount and all of these employees are located in Cambridge, UK. The research and development team is divided into sub-teams ranging from two to eight people based on specialty.

9. PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group's intellectual property rights are important to its business. The Group relies on a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third party nondisclosure and assignment agreements to protect its intellectual property and know-how. Customarily, customers are subject to the standard terms of the Group's shrink-wrap licence agreement at the onset of the trial period. The licence agreement provides mutual non-disclosure terms, but in rare instances, where required by the prospective customer, the Group will sign a mutual non-disclosure agreement. In addition, it is required, when their relationship with the Group begins, that employees and independent contractors execute agreements, which include standard confidentiality and transfer of intellectual property terms. Employees are required to agree to keep the Group's proprietary information confidential. The Group's policy requires that employment contracts include clauses requiring employees to assign all of the inventions and intellectual property rights they develop in the course of their employment, or the economic benefits thereof, to the Group and to agree not to disclose or misuse any confidential information.

As of 31 December 2020, the Group had 10 issued patents, with the majority granted in the United States. As of 31 December 2020, the Group had also applied for a further 52 patents, which are pending. The majority of filings are primarily machine learning and AI focused. Of the Group's patent portfolio, many of the patents are related to multiple focuses, and are related to cyber security tools and AI augmented workflows, mathematics and autonomous response, email security, cloud and SaaS, industrial and endpoint security. The cyber security tools and AI augment workflows consist of innovations generated from the desire to improve the workflow of a human cyber analyst using the Darktrace system. These tools are not limited to use in Darktrace, but were originally developed to augment its use. The mathematics and autonomous response patents include fundamental filings on the mathematical structures behind the Group's "pattern of life" detection, how devices are clustered and the framework for autonomous response. Email security patents include components, machine learning classifiers and workflows specific to bringing in email environment under the Cyber AI Platform's detection and response. The cloud and SaaS patents include components and workflows specific to bringing in Cloud environment and SaaS services under the Cyber AI Platform's detection and response. The industrial patents include components and workflows specific to bringing in industrial control systems under the Cyber AI Platform's detection and response. Lastly, the endpoint patent applications include components and workflows specific to bringing detection and response onto a new device host.

The Group has applied for or obtained over 40 trademark registrations that it considers material to the marketing of its products. These trademarks are registered in the United Kingdom, the United States, Australia, Japan, Singapore, South Africa, Canada, South Korea, the EU and with the World Intellectual Property Organisation.

10. EMPLOYEES

As at 31 December 2020, the Group had a global workforce consisting of over 1,400 employees, including 120 AI experts and 27 people with PhDs.

Employees by function

The following table details the breakdown of the Group's employees by function as at 31 December 2020 and 30 June 2020, 2019 and 2018:

	As at 31 December	As at 30 June		
	2020	**2020**	**2019**	**2018**
Sales	994	825	726	439
Administration and Operations	242	162	90	64
Research and Development	205	163	131	115
Total	1,441	1,150	947	618

Note: The above table includes both full time employees and contractors.

Employees by geography

The following table details the breakdown of the Group's employees by geography as at 31 December 2020 and 30 June 2020, 2019 and 2018:

	As at 31 December	As at 30 June		
	2020	**2020**	**2019**	**2018**
EMEA	691	528	438	287
Americas	168	149	149	95
APAC	582	473	360	236
Total	1,441	1,150	947	618

Note: The above table includes both full time employees and contractors.

Labour laws in these regions generally provide minimum standards regarding annual paid and unpaid leave, sick leave, maternity leave and other provisions regarding leave from work, severance pay, pension contributions and other terms of employment. The Group contributes to a pension scheme for its employees in the United Kingdom.

None of the Group's employees are represented by a labour organisation or union or covered by collective bargaining agreements. As of 31 December 2020, the Group had not experienced a labour-related work stoppage. The Directors consider the Group's relations with its employees to be good.

The Directors believe that one of the key reasons for the Group's success is its people. The Group trains its human resources team to comply with the latest employment and selection best practices. The Group recognises the importance of human capital and values it highly. The Group's human resources vision is to create a committed workforce through people, enabling processes and knowledge sharing practices based upon the Group's value system.

The Group's future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified creative, technical and managerial personnel for whom competition is intense.

11. PROPERTIES

The Group has more than 30 offices globally. The Group's offices are all located in leased premises. Individual office leases vary as to their terms, rental provisions and expiration dates. The Group's principal office is located at Maurice Wilkes Building St John's Innovation Park, Cowley Road, Cambridge, United Kingdom, CB4 0DS.

The following table details the breakdown of certain of the principal leases for the Group's offices as of 31 December 2020:

Facility Location	Lease Expiration Date
London (United Kingdom)	13 February 2027
Cambridge	11 July 2033
New York	30 April 2028
San Francisco	30 June 2031

Certain of the Group's leases have a term as short as one year while others are over ten years in length. Rent on the majority of the Group's offices is paid monthly in advance.

12. ENVIRONMENT

Due to the nature of the Group's technology, the Group does not have significant customer data storage obligations, and therefore does not require extensive IT infrastructure. To date, there have been no environmental issues associated with the Group's IT infrastructure. The Directors believe that due to the nature of its business the Group does not have any material environmental compliance costs or environmental liabilities.

13. INSURANCE

The Group maintains a commercial combined insurance coverage covering the core business including employee liability, stock, property damage or loss (contents insurance), business interruption and business travel insurance. The Group also maintains directors' and officers' insurance, public and product liability, professional indemnity and cyber liability. The Group has also procured additional policies covering certain areas where the general coverage has exceptions or limitations. Typically, these exceptions or limitations are identified when a new subsidiary is created in a new country and after a risk assessment has explored the potential risks attached to operating the subsidiary company, the company procures supplemental insurance coverage. The Directors believe that the Group's current insurance coverage is appropriate for its business, in respect of its level and applicable excesses and deductibles. The Group does not have any material outstanding insurance claims.

14. DIVIDEND POLICY

The Group expects to adopt a dividend policy that will ensure that the Group retains the flexibility to continue to deploy capital towards profitable growth. The Group intends to retain any earnings to expand the growth and development of its business and, therefore, does not anticipate paying dividends in the foreseeable future. There can be no guarantees that the Company will pay future dividends. The determination of the level of future dividends, if any, will depend upon the Group's results of operations, financial condition, capital requirements, contractual restrictions, business prospects and any other factors the Board may deem relevant.

15. LEGAL PROCEEDINGS

See Section 13 of Part 10: "*Additional Information*".

16. REGULATORY MATTERS

The Group's business is subject to a wide array of regulations in the various jurisdictions in which it operates, with employees and customers in many countries. As a result, the Group is regulated by various authorities, including in the United Kingdom and the United States, which oversee, among other areas, consumer protection, licensing and corporate governance. The Group is also subject to the laws, regulations and possible sanctions of a number of countries affecting international transactions, including consumer protection, labour laws, laws related to internet commerce, and information technology. The Group also has employees and customers in many countries, resulting in the Group handling sensitive personal data in those countries. Therefore, the Group must comply with local data protection and privacy rules. In addition, due to the Group's global operations, it is in receipt of payments in/from a number of jurisdictions. As a result, the Group must monitor compliance with money laundering regulations in a number of countries. The regulatory environment related to information security, data collection and privacy is becoming increasingly demanding, with new and changing requirements applicable to the Group's business, including restrictions on transfer of personal data of customers or employees outside of the European Union or the United States, as applicable, and with significant operational requirements that must be followed and significant penalties for non-compliance.

In particular, the Group stores some personally identifiable information of its customers and is subject to data protection and privacy regulations such as the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**"). The GDPR, which came into force on 25 May 2018, implemented more stringent operational requirements for the Group's use of personal data. These more stringent requirements include expanded disclosures to the Group's customers in respect of how the Group may use their personal data and increased rights for customers to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4% of global turnover for the preceding financial year. The Group faces stringent regulations in other jurisdictions as well, including in the UK and under the California Consumer Privacy Act. The same conduct could expose the Group to penalties for breach of data protection laws in multiple jurisdictions and, following Brexit, the UK Information Commissioner's Office may impose fines that are essentially equivalent to the maximum penalties under the GDPR (in addition to any fines imposed under the GDPR). The UK's Network and Information Systems Regulations 2018, as amended from time to time, which came into force on 10 May 2018, apply to the Group and place additional network and information systems security obligations on the Group, as well as mandatory security incident notification in certain circumstances with penalties of up to £17 million.

The Group is also subject to various customs and international trade laws and regulations. For example, the Group may be subject to the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region. The Group will also be subject to evolving government export and import controls. There are also different laws in the various jurisdictions in which the Group operates that relate to how online sales may be made, particularly to consumers, including laws regulating the size and prominence of lettering, regulations surrounding the use of opt-in as compared to opt-out provisions and other specifics as to how sales may be made.

In addition, the Group is also subject to anti-bribery regulations and anti-corruption legislation in other countries where the Group conducts business. The SEC, the U.S. Department of Justice, the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Department of State, as well as other foreign regulatory authorities, continue to enforce economic and trade regulations and anti-corruption laws across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine as well as specifically targeted individuals and entities that are identified on U.S. and other blacklists, and those owned by them or those acting on their behalf. Anticorruption laws, including the Bribery Act and the U.S. Foreign Corrupt Practices Act of 1977, generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, private persons to obtain or retain business or an improper business advantage.

In addition, the Group is subject to the United Kingdom's, United States' and European Union's competition law and any relevant antitrust or competition law in any other jurisdiction in which it operates which prohibits the abuse of a dominant position in the market.

Part 6

DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

1. DIRECTORS

The following table lists the names, positions and ages of the Directors as at the date of this Registration Document:

Name	Age	Position
Gordon Hurst	59	Independent Chair
Poppy Gustafsson OBE	38	Chief Executive Officer
Catherine Graham	60	Chief Financial Officer
Vanessa Colomar	48	Non-Executive Director
Stephen Shanley	35	Non-Executive Director
Johannes Sikkens	43	Non-Executive Director
Lord Willetts	65	Independent Non-Executive Director
Paul Harrison	56	Independent Non-Executive Director
Sir Peter Bonfield	76	Independent Non-Executive Director

The business address of each of the Directors is Maurice Wilkes Building St John's Innovation Park, Cowley Road, Cambridge, United Kingdom, CB4 0DS.

The management experience and expertise of each of the Directors is set out below. Catherine Graham was appointed to the Board at incorporation of the Company. All other Directors were appointed to the Board on 1 April 2021.

Gordon Hurst

Mr. Hurst joined the Group on 28 July 2019 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Mr. Hurst has 27 years' experience with Capita plc (LON: CPI), a leading consulting, digital services and software business company, from 1988 until February 2015, including having served as the Group Finance Director on its board since 1996. During this period, Mr. Hurst was instrumental in managing acquisitions, large outsourcing deals, and building a team of commercially-focused finance directors to enable continued development of the business. Since then, Mr. Hurst has also served as non-executive chair of the board of Featurespace since November 2014. Currently, Mr. Hurst serves as the non-executive chair of the PE funded services business, Marston Holdings, and Azets Ltd.

Poppy Gustafsson OBE

Ms. Gustafsson joined the Group as an employee with effect from November 2014, was appointed as a Director of Darktrace Holdings Limited on 11 May 2020, and was appointed to the Board of the Company on 1 April 2021 and has served as the CEO of the Group since 2016. Under her leadership, the Group has grown to 1,500 employees with over 40 offices around the world. Ms. Gustafsson has led the Group to achieve a variety of accolades, such as being named the 9th 'Fastest Growing European Company' by The Financial Times, as well as 'Fastest Growing Super Scale-up' by Tech Tour. Ms. Gustafsson is a qualified chartered accountant and previously served as the company's CFO. She was the winner of the 'Veuve Clicquot Business Woman Awards 2019,' and recognised in Management Today's '35 Women Under 35' list in 2018. Ms. Gustafsson was awarded an OBE (Officer of the Order of the British Empire) in 2019 in recognition of her services to cyber security.

Catherine Graham

Ms. Graham joined the Group as an employee in February 2020, was appointed to the Board of the Company at incorporation of the Company and is the Company's Chief Financial Officer. Ms. Graham has more than two decades of professional experience in financial disciplines and has served at the helm of several businesses throughout periods of rapid growth and capital structure evolution. Previously at 2U, a global leader in education technology, Ms. Graham has extensive experience in developing and maturing hyper-growth technology companies. In 2015, she was named as Northern Virginia Technology Council's 'Public Company CFO of the Year' and has most recently been included in the Washington Business Journal's 2018 list of 'Women Who Mean

Business.' Ms. Graham holds an MBA from Loyola University Maryland and a BA in Economics from the University of Maryland.

Vanessa Colomar

Ms. Colomar joined the Group on 14 July 2015 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Ms. Colomar has 24 years' experience in public relations and communications, having held senior positions at agency Edelman and Burston Marsteller in Madrid and New York. Previously, she has also served as SVP of Communications at Autonomy where she joined immediately prior to the HP acquisition in August 2011 and worked through May 2012. Ms. Colomar is a Partner and Co-Founder of Invoke Capital. At Invoke, Ms. Colomar is responsible for Communications and Investor Relations and oversees these functions for portfolio companies including Luminance. Ms. Colomar is also a member of the Board of Directors for Luminance, a leading AI platform for the legal industry and an Invoke portfolio company. Ms. Colomar holds a First-Class BA in Modern European Languages from Durham University, and an MA in Journalism from Universidad Autónoma de Madrid.

Stephen Shanley

Mr. Shanley joined the Group on 15 July 2016 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Mr. Shanley has worked at KKR since 2014 and currently serves as a Managing Director at KKR and as head of KKR's Technology Growth Equity business in Europe. Mr. Shanley serves or has served on the board of directors of several technology companies, including Feedzai – Consultadoria e Inovação Tecnológica, S.A., ReliaQuest, LLC, Zwift Inc., KnowBe4, Inc., OutSystems Holdings S.A., iValua S.A.S., GetYourGuide AG and Clicktale (UK) Limited. Prior to joining KKR, Mr. Shanley was an investor with Technology Crossover Ventures, a technology focused growth equity firm. Prior to that, Mr. Shanley was with the TMT investment banking group of Needham & Company, LLC. He started his career in the transaction services group of KPMG US LLP. Mr. Shanley holds a B.S. and a B.Sc. from Santa Clara University.

Johannes Sikkens

Mr. Sikkens joined the Group on 14 July 2015 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Mr. Sikkens serves as Managing Director and Head of Europe at Summit Partners, a global alternative investment firm with more than $23 billion in assets under management. Mr. Sikkens joined Summit Partners in 2004 and today manages the firm's London office. Mr. Sikkens focuses primarily on investments in the technology sector in Europe. In addition to the Company, Mr. Sikkens currently serves as a director at MUBI, Red Points and Syncron, and he is actively involved in Summit's investments in Akeneo, Ivalua, LearnUpon, Odoo and Solactive. His previous board and investment experience includes 360T Group, Acturis Limited, Avast (LON: AVST), Flow Traders (Euronext: FLOW), Multifonds, RELEX Solutions, SafeBoot, Siteimprove and Welltec International. Prior to Summit, Mr. Sikkens worked for Scotia Capital and IBM Corporation. Mr. Sikkens holds a BS in business administration from the University of Groningen, an MSc in international business from the University of Groningen, and an MSc in international finance from the CERAM Graduate School of Management & Technology.

Lord Willetts

Lord Willetts was appointed to the Board of the Company on 1 April 2021. Lord Willetts began his career in Parliament as the MP for Havant in 1992 and was appointed Minister for Universities and Science in May 2010. Lord Willetts has previously served as Paymaster General and then in the Shadow Cabinet in a range of roles, including Shadow Secretary of State for Trade and Industry, Shadow Secretary for Education and Skills, and Shadow Secretary for Innovation, Universities and Skills. Lord Willetts has also worked at HM Treasury and in the Number 10 Policy Unit. In addition, Lord Willetts was a visiting fellow at Nuffield College, Oxford, is a governor of the Ditchley Foundation and a member of the Council of the Institute for Fiscal Studies. He has written widely on economic and social policy. In 2011 he published a book, 'The Pinch: How the baby boomers took their children's future – and why they should give it back'. Lord Willetts was educated at King Edward's School, Birmingham and Christ Church, Oxford, where he studied philosophy, politics and economics.

Paul Harrison

Mr. Harrison was appointed to the Board of the Company on 1 April 2021. Mr. Harrison is a chartered accountant with over 35 years business experience. Previously, Mr Harrison has served as the CFO of Just Eat PLC, a FTSE 100 on-line food marketplace business and as interim CEO from April to September 2017. Prior to Just Eat, Mr. Harrison served as CFO of WANdisco plc in California and as Group CFO of one of the largest UK (& FTSE 100) software businesses, The Sage Group plc for 13 years. In addition, Mr. Harrison served from 2007 to 2017 as a Non-Executive Director and, in the last 5 years of his appointment, Senior Independent Director of FTSE 250 recruiter, Hays plc. During this time, Mr. Harrison initially chaired the Audit Committee switching mid way through his appointment to chairing the Remuneration Committee. In February 2016, Mr. Harrison also joined the Board of the newly listed Ascential plc, a FTSE 250 business where he served as chair of the Audit Committee until January 2021. At that time, he assumed the role of Executive Director and Chief Operating Officer of Ascential plc. Mr. Harrison has formerly also served as Governor of Royal Grammar School, Newcastle a large, independent school based in Newcastle upon Tyne.

Sir Peter Bonfield CBE

Sir Peter was appointed to the Board of the Company on 1 April 2021. Sir Peter has previously served as the CEO and Chairman of the Executive Committee of British Telecommunications from 1996, when he was appointed, until early 2002. Sir Peter is currently serving as Chairman of NXP Semiconductors in the Netherlands. Sir Peter has previously served as Chairman and Managing Director of ICL after its merger with STC, a large telecommunications equipment manufacturer, Deputy Chief Executive of STC plc as well as Chairman and CEO of ICL. Sir Peter's career has also included Chair of Council and Senior Pro Chancellor for Loughborough University, Chairman of GlobalLogic, Vice-Presidency of the British Quality Foundation, Senior Independent Directorship of AstraZeneca, Non-Executive Director Dubai International Capital LLC, Actis Capital LLP, Member of the Citigroup International Advisory Board, Advisor to Apax Partners LLP, Senior Advisor to Rothschild, Senior Advisor to G3 Good Governance Group, Senior Advisor The Hampton Group, Chairman of the Board/East West Institute UK, member of Silent Circle's Advisory Board and Directorships on the Boards of Sony Corporation in Japan, Mentor Graphics Corporation in the USA, Ericsson in Sweden, the Department for Constitutional Affairs and the Ministry of Justice. In total, Sir Peter has been a Board Member of 12 quoted companies around the world. Sir Peter has an Honours Degree in Engineering from Loughborough University, is a Liveryman of the Worshipful Company of Information Technologists, a Freeman of The City of London, an Honorary Citizen of Dallas and a Fellow of the Royal Academy of Engineering.

2. SENIOR MANAGERS

In addition to the Directors listed above, the following members of the Company's current senior management team (each a "**Senior Manager**") are considered relevant to establishing that the Company has the appropriate experience and expertise for the management of its business:

Name	Age	Position
David Palmer	42	Chief Product Officer
Nicole Eagan	56	Chief Strategy Officer
Jack Stockdale	45	Chief Technology Officer

The business address of each Senior Manager is Maurice Wilkes Building St John's Innovation Park, Cowley Road, Cambridge, United Kingdom, CB4 0DS.

The management experience and expertise of each Senior Manager is set out below.

David Palmer

Mr. Palmer joined the Group at founding, and is the Chief Product Officer of the Company, overseeing the mathematics and engineering teams and project strategies. With over 13 years' experience at the forefront of government intelligence operations, Mr. Palmer has worked across UK intelligence agencies GCHQ and MI5, where he was responsible for delivering mission-critical infrastructure services, including replacing and securing entire global networks, the development of operational internet capabilities and the management of critical disaster recovery incidents. Mr. Palmer acts as an advisor to cyber security start-ups and growth-stage companies from the UK Government's Cyber Security Accelerator and CyLon. Mr. Palmer's insights on AI and the future of cyber security are also regularly featured in the UK media. Mr. Palmer holds a first-class degree in Computer Science and Software Engineering from the University of Birmingham.

Nicole Eagan

Ms. Eagan joined the Group in 2014, and is Chief Strategy Officer and AI Officer of the Company. Ms. Eagan's extensive career in technology spans 30 years working for Oracle and early to late-stage growth companies. Ms.

Eagan identifies and shapes the Group's strategic plan, leads the Company's AI vision together with the Group's Chief Technology Officer, and provides product strategy and direction. A core part of the executive team, during Ms. Eagan's tenure, the Group has won more than 100 awards, and has been named one of WSJ's 'Tech Companies to Watch', Fast Company's 'Most Innovative Companies', and a CNBC 'Disruptor 50'. Ms. Eagan was named 'AI Leader of the Year' and was awarded the top position on The Software Report's 'Top 25 Women Leaders in Cybersecurity' in 2020.

Jack Stockdale

Mr. Stockdale joined the Group at founding, and is the Chief Technology Officer of the Company. With over 20 years' experience of software engineering, Mr. Stockdale is responsible for overseeing the development of Bayesian mathematical models and artificial intelligence algorithms that underpin the Company's award-winning technology. Mr. Stockdale and his development team in Cambridge, UK were recognised for their outstanding contribution to engineering by the Royal Academy of Engineering MacRobert Innovation Award Committee in 2017 and again in 2019. Mr. Stockdale has a degree in Computer Science from Lancaster University. Mr. Stockdale was awarded an OBE (Officer of the Order of the British Empire) in 2019 in recognition of his services to cyber security.

3. CORPORATE GOVERNANCE

The Board currently adheres to a corporate governance regime that is appropriate for an English company. The Board is committed to implementing the highest standards of corporate governance appropriate for a company of its size and status.

In anticipation of Admission, the Company has adopted corporate governance principles and practices that address various matters under the UK Corporate Governance Code as further described below. The Directors believe the Board and the committees will act in the best interests of the Company and all its Shareholders, and will provide appropriate corporate governance and experience. The Board believes that the non-independent Directors will ensure stability and continuity, as well as relevant experience and expertise, and that the independent non-executive directors of the Company (the "**Non-Executive Directors**") will bring strong judgment and considerable knowledge to the Board's deliberations.

The Board

Board Composition

The UK Corporate Governance Code recommends that at least half of the board of directors of a UK-listed company, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances, which may affect, or could appear to affect, the director's judgment.

The Board comprises nine members: Gordon Hurst, the Chair, two executive Directors, Poppy Gustafsson OBE and Catherine Graham, and six Non-Executive Directors, Vanessa Colomar, Stephen Shanley, Johannes Sikkens, Lord Willetts, Paul Harrison and Sir Peter Bonfield. In addition to Gordon Hurst, the Company regards each of Lord Willetts, Paul Harrison and Sir Peter Bonfield to be independent for the purposes of the UK Corporate Governance Code. Therefore, the Company will not comply with the recommendation of the UK Corporate Governance Code that at least half of the board of directors of a UK-listed company, excluding the chair, should comprise independent non-executive directors. Notwithstanding this, the Board believes that the current Directors bring to the Company a desirable range of skills and experience in light of its challenges and opportunities following Admission. The Company has recently appointed three Independent Non-Executive Directors with current and/or previous experience on listed company boards in addition to the independent Chair. The Board intends to achieve full compliance with the UK Corporate Governance Code in due course.

Senior Independent Director

The UK Corporate Governance Code also recommends that the board appoints one of the independent non-executive directors to be the senior independent director. The Company has appointed Lord Willetts as the Senior Independent Director of the Company and the Company therefore will comply with this recommendation.

Board Committees

The Board has established an audit and risk committee, a nomination committee and a remuneration committee as described below. If the need should arise, the Board may set up additional committees as appropriate.

Audit and risk committee

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, narrative reporting, internal controls and risk management, whistleblowing, fraud and compliance, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls in place within the Group. The audit and risk committee will meet at least three times a year.

Composition and membership

The UK Corporate Governance Code recommends that the audit and risk committee be comprised of at least three directors, all of whom are independent non-executive directors. It also recommends that at least one member should have recent and relevant financial experience. It further recommends that the chair should not be a member of the audit and risk committee.

The audit and risk committee is chaired by Paul Harrison and its other members are Lord Willetts and Sir Peter Bonfield.

Nomination committee

The nomination committee assists the Board in reviewing the structure, size, performance and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the chair and CEO and other senior executives. The nomination committee will meet at least twice a year.

Composition and membership

The UK Corporate Governance Code recommends that a majority of the nomination committee be independent non-executive directors.

The nomination committee is chaired by Lord Willetts and its other members are Gordon Hurst and Poppy Gustafsson.

Remuneration committee

The remuneration committee approves and recommends to the Board the Group's compensation policy for officers and Directors (including periodic examination and updates to the compensation policy), determines or recommends to the Board for approval the remuneration of officer and directors, reviews and recommends to the Board for approval grants of awards under the Group's incentive plans and prepares an annual remuneration report for approval by the Shareholders at annual general meetings. The remuneration committee will meet at least twice a year.

Composition and membership

The UK Corporate Governance Code recommends that the remuneration committee be comprised of at least three directors, all of whom are independent non-executive directors. It also recommends that one of the members of the remuneration committee may be the chair (but that person may not chair the remuneration committee) if he or she was considered independent on appointment as chair.

The remuneration committee is chaired by Sir Peter Bonfield and its other members are Lord Willetts, Paul Harrison and Gordon Hurst.

The Board considers that the Company complies with the recommendations of the UK Corporate Governance Code with regard to the composition and role of such committees.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on the requirements of the Market Abuse Regulation. The code adopted will apply to the Directors and other relevant employees of the Group.

4. CONFLICTS OF INTEREST

There are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

5. CORPORATE HISTORY

The Company and its major shareholders intend to adopt detailed arrangements to govern their relationships following Admission, modelled on the requirements of the Listing Rules, to ensure the Company is able to carry on an independent business as its main activity, as detailed below.

For further information on the history and risks related to the Group's association with activities in connection with the sale of Autonomy and the funding of the Group, please see risk factors entitled "*The Group may face reputational risk arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy Corporation plc ("Autonomy") and related matters", "The Group may face potential liability arising out of its historic funding by Invoke"* and *"The Group may face potential liability arising out of unlawful, and allegedly unlawful, activities in connection with the sale of Autonomy and related matters*" in Part 1. Having analysed and considered the relevant circumstances the Directors believe: (a) there is a low risk to the Group of successful prosecution for UK money laundering offences or similar offences in the U.S.; and (b) that the Shares being sold in the Offering are not capable of being criminal property for the purposes of the Proceeds of Crime Act 2002, nor that persons purchasing Shares in the Offering would, by doing so, commit any offence under the Proceeds of Crime Act 2002.

Funding history

Invoke, a specialist firm that invests in, and advises, fast-growing European technology companies, provided the initial funding of the Group in June 2013 via its operating entity, ICP London Limited ("**ICP**"). This funding was via a share subscription of £10,000 in Darktrace Holdings Limited ("**Holdings**") and by way of non-interest bearing unsecured loans totalling £6.6 million provided to Holdings from 2013 through to 2015. In August 2013, certain employees (including David Palmer) and former employees of the Group also subscribed for shares in Holdings. The non-interest bearing loans from ICP to Holdings were repaid in full with the proceeds received from a series of primary share issues by Holdings to institutional investors between 2016 and 2017. These primary share issues, and subsequent funding rounds, by Holdings were as follows:

- February 2015 – Series A funding with investors including Talis Capital and Hoxton Ventures, raising approximately $10 million;
- July 2015 – Series B funding led by Summit Partners, raising approximately $39 million;
- July 2016 – Series C funding led by KKR DA, raising approximately $34 million;
- July 2017 – Series D funding led by Insight Venture Partners, raising approximately $50 million;
- September 2018 – Series E funding, led by Vitruvian Partners, raising approximately $50 million; and
- July 2020 – issue of convertible loan notes to certain existing investors, including KKR DA, Summit Partners, Talis Capital, TenEleven Ventures, Hoxton Ventures and Balderton Capital, raising approximately $163 million.

In July 2020, the shareholders of Holdings passed a resolution to reduce the share capital account and share premium account of the Company equal to approximately $127 million and applied such amount to cancel and extinguish certain ordinary shares in Holdings held by ICP Darktrace Holdings Limited (the holding company of Invoke's interests in Holdings, "**ICPDH**") and paid the proceeds directly to ICPDH. ICPDH subsequently entered into voluntary liquidation, with the remaining shares that ICPDH held in Holdings distributed to its shareholders to be held directly by them, and the proceeds of the capital reduction to be applied to settle certain tax liabilities of the ICPDH shareholders arising as a result of the dissolution. The dissolution of ICPDH (and distribution of Holdings' shares held by it) was completed in November 2020.

Board history

The initial director of Holdings was Elizabeth Harris, an Invoke employee. Robert Webb QC was appointed as chair in August 2014, and Nicole Eagan was appointed to the board as the CEO in September 2014.

In connection with Holdings' Series A funding, in February 2015, Vasile Foca (nominated by Talis Capital), and Sushovan Hussain and Michael Lynch (each nominated by Invoke) joined the board of directors. Following the Series A funding, Elizabeth Harris resigned as a director.

In connection with Holdings' Series B funding, in July 2015 Johannes Sikkens (nominated by Summit Partners) and Vanessa Colomar (nominated by Invoke) joined the board of directors.

In connection with Holdings' Series C funding, in July 2016 Stephen Shanley (nominated by KKR DA) joined the board of directors. Following the funding, Vasile Foca resigned as a director.

In October 2016, Poppy Gustafsson was appointed as a Co-CEO of Holdings. In November 2016 Sushovan Hussain voluntarily resigned as a director, and Andrew Kanter (nominated by Invoke) joined the board. In November 2018 Michael Lynch voluntarily resigned as a director, and Philip Pearson (nominated by Invoke) joined the board as a director.

Gordon Hurst joined the board as an independent director in July 2019. Poppy Gustafsson joined the board as an executive director (CEO) in May 2020, and Nicole Eagan resigned as a director and CEO (although remains as Chief Strategy Officer of the Group). In connection with Holdings' convertible loan note funding, in July 2020 Mark Hatfield (nominated by the convertible loan note holders) joined the board.

In April 2021, it is expected that Messrs. Hatfield, Kanter and Pearson each will cease to be directors of Holdings.

As at, and conditional upon Admission, pursuant to the pre-IPO reorganisation, Holdings will cease to be the holding company of the Group and will become a wholly-owned subsidiary of the Company. From Admission, all of the directors of Holdings will be employees of Darktrace.

Advisory Council and Science & Technology Group

Advisory Council

The Group's Advisory Council was established in September 2013 as an advisory group of leading experts in their respective fields who support the Group's executive team by providing their insights on key industry and global trends. The Advisory Council does not meet formally as a committee of the board of the Company and has no executive, management or governance role or authority. The Advisory Council's members are available to the Company's management in order to consult with in areas of their respective expertise. Michael Lynch was a member of the Advisory Council from its establishment until March 2021. The current members of the Advisory Council, together with their brief biography, are stated below:

Lord Evans of Weardale KCB

Lord Evans was Director General of MI5 from 2007 to 2013. Lord Evans spent 33 years with MI5, defending the UK against internal and domestic terrorism and cyber-threats. He was appointed to the Security Service's Management Board as Director of International Counter Terrorism in 2001, ten days before the 9/11 attacks on the World Trade Center. Lord Evans was appointed to the House of Lords in 2014 at the personal recommendation of the Prime Minister and sits as a cross-bench peer. Lord Evans is also a non-executive Director of HSBC Holdings and of Ark Datacentres Ltd.

Professor Nick Jennings CB FREng

Professor Nick Jennings is the Vice-Provost for Research and Enterprise at Imperial College London, responsible for promoting, supporting and facilitating their research performance and for leading on the delivery of the Research and Enterprise Strategy. Professor Jennings also holds a chair in Artificial Intelligence in the Departments of Computing and Electrical and Electronic Engineering. Before joining Imperial College London, Professor Jennings was Regius Professor of Computer Science at the University of Southampton and the UK Government's Chief Scientific Advisor for National Security. Professor Jennings is an internationally-recognised authority in the areas of artificial intelligence, autonomous systems, cybersecurity and agent-based computing. Professor Jennings is a member of the Government's AI Council.

Alan Wade

Alan Wade had a thirty-five-year career in the Central Intelligence Agency, where he latterly served as the Chief Information Officer, before his retirement in 2005. Prior to this role, Mr. Wade held a series of senior positions at the CIA, including the Director of Communications and Director of Security. Mr. Wade is a recipient of the National Intelligence Distinguished Service Medal, the Director's Medal, and the Distinguished Intelligence

Medal. Mr. Wade also serves on the boards of the Aerospace Corporation in El Segundo, CA, Professional Project Services in Oak Ridge, TN and Assyst Inc in Herndon, VA.

Rt Hon Amber Rudd

After a career in banking, venture capital and head hunting, Amber Rudd became the MP for Hastings and Rye from 2010 to 2019. Ms. Rudd held three cabinet roles over four years and under three Prime Ministers, first in Energy and Climate Change, then the Home Office as Home Secretary and until September 2019 in Work and Pensions. Ms. Rudd also twice served as Minister for Women and Equalities. As Energy Secretary, Ms. Rudd steered the UK's participation in the crucial and successful Paris Climate Change Agreement in 2015. As Home Secretary, Ms. Rudd oversaw the UK's response to the terrorist attacks in 2017. Under her leadership, the UK led on setting up an international industry-led response to removing radicalising material on the internet which endures as the Global Internet Forum to Counter Terrorism (GIFCT). Ms. Rudd is now a Senior Advisor to Teneo, Management Consultants. Ms. Rudd is also an Advisor to Pool Re, insurers for terrorism risk. Ms. Rudd recently became a Trustee for The Climate Group, working with the private sector to reach a net zero outcome.

Robert Webb

Robert Webb is the former Chairman of Holdings, and also serves as Chairman of Luminance. Previously, Mr. Webb has also served as a Director of Holdingham Group Ltd (formerly Hakluyt) as well as a Senior Advisor at Brunswick LLP. Mr. Webb is a Door Tenant of Brick Court Chambers. Until 1998, Mr. Webb was a practicing Barrister, a Recorder and Head of Chambers at 5 Bell Yard, London. His field of practice was commercial law, aviation law and mass disaster litigation. From 1998 to 2009, Mr. Webb was General Counsel of British Airways. Mr. Webb is also a past Chairman of BBC Worldwide and of Autonomy plc, a former Senior Independent Director of the London Stock Exchange and a former Director of Argent Ltd and of Air Mauritius. Mr. Webb was General Counsel of Rolls-Royce Plc (2012-16). Mr. Webb is a Bencher of the Inner Temple, a former Trustee of Comic Relief and a former Fellow of UNICEF.

Science & Technology Group

In March 2021, the Group established the Science & Technology Group, a panel of leading experts to assist the Company's management in its consideration of science and technology matters. The members of the Science & Technology Group are experts in their respective fields and comprise Dr. Michael Lynch and Professor Nick Jennings. The Science & Technology Group does not meet formally as a committee of the board of the Company and has no executive, management or governance role or authority. The Science & Technology Group's role is purely consultative and advisory and it has no right to receive any information from, or otherwise influence the decisions of, the Group. The Company's management team consult with members of the Science & Technology Group on an ad hoc basis on key industry and global trends and such other similar matters.

Services provided by Invoke

Since inception, ICP has provided Darktrace with managerial support contributing to the Group's growth.

Invoke has historically provided certain management services to the Group pursuant to a supply of services agreement (the "**Services Agreement**"). The key services provided under the Services Agreement included strategic, marketing, communication, technological and commercial advice, subject matter expertise, advice in relation to the Group's go-to market strategy, market positioning, vision and public relations, and operational advice and support. Such services included, by way of example, meetings with the technical teams to discuss product development, providing strategic advice on marketing and communications and consulting on other general business matters as they arose from time to time. As the scale of the Group's operations have grown since inception the services provided under the Services Agreement have reduced, in particular as the Group has acquired and developed appropriate capabilities and expertise in-house. As a result, the Services Agreement has been terminated with effect from Admission. The Company will pay to ICP a fee of £1,200,000 (plus VAT) in respect of the six months' notice required under the Services Agreement.

Certain executives of the Group, including Poppy Gustafsson (Chief Executive Officer), Jack Stockdale (Chief Technology Officer), Nicole Eagan (Chief Strategy Officer, AI Officer) and Emily Orton (Chief Marketing Officer) were historically employed by Invoke (and were formerly also employed by Autonomy) and became employees of the Group with effect from November 2014. As at the date of the Registration Document, these key executives hold Shares in the Company as follows:

Shareholders	Number of Shares	Percentage of issued ordinary share capital
Poppy Gustafsson	15,914	0.62
Jack Stockdale	16,989	0.71
Nicole Eagan	56,590	2.36
Emily Orton	5,417	0.23

Note: The interests in Shares have been stated on a fully diluted basis (including options and growth shares).

As part of the preparation for Admission, the Company is implementing a transition plan for its full separation from Invoke, with the plan expected to be materially complete on 6 April 2021. The plan involves separation of shared office premises, the transfer of certain personal and other operational matters.

Historically, certain employees of the Group shared office premises with Invoke in London and Cambridge. Following Admission, Darktrace will sublicence office space in its Cambridge and London offices to certain of Invoke's portfolio companies. Each of the sublicences has been negotiated on an arm's length basis and on normal commercial terms, and the areas occupied by each of Darktrace and Invoke are segregated, with separate and secure entrances.

Until March 2021, two employees of Invoke supported the finance function of the Group in Cambridge. This support was no longer needed following the hiring and onboarding of additional finance team members, whose hiring was completed in January 2021. As at the date of the Registration Document, no employee of Invoke works at, or provides consultation services to, any member of the Group.

In addition, the Group has historically supplied cyber security products to Invoke and its portfolio companies. The Group expects to continue to supply cyber security products to Invoke and its portfolio companies on normal commercial terms and on an arm's length basis.

Shareholder agreements

Conditional upon Admission, each of the Invoke Shareholders (as detailed below), Summit Partners and KKR DA intends to enter into separate shareholder agreements (each a "**Shareholders' Agreement**") with the Company. Pursuant to the agreements, each of the Invoke Shareholders, Summit Partners and KKR DA will have the right to nominate one non-executive director to the Board (each a "**Nominee Director**") for so long as they and their associates are entitled to exercise, or to control, directly or indirectly, 10% or more of the voting rights attaching to the issued share capital of the Company.

The Invoke Shareholders, Summit Partners and KKR DA shall consult in advance with and require the approval of the Nomination Committee regarding the identity of any director proposed to be nominated by each of them. The Invoke Shareholders will collectively nominate the Invoke Nominee Director by voting in proportion to their respective shareholding in the Company.

Vanessa Colomar (an Invoke employee) will be the first Invoke Nominee Director, Johannes Sikkens (a Summit employee) will be the first Summit Nominee Director and Stephen Shanley (a KKR employee) will be the first KKR DA Nominee Director by KKR DA.

The Invoke Shareholders comprise employees (and their respective spouses) of Invoke and its associated companies, as follows:

Invoke Shareholders	**Number of Shares**	**Percentage of issued ordinary share capital**[(1)]
Angela Bacares	321,577	13.42
Michael Lynch	123,047	5.13
Sushovan Hussain	67,358	2.81
Peter Menell	43,979	1.83
Vanessa Colomar	28,620	1.19
Andrew Kanter	23,712	0.99
Philip Pearson	11,423	0.48
James Loxam	6,377	0.27
Charlotte Golunski	6,325	0.26
Elizabeth Harris	1,230	0.05
Others[(2)]	2,762	0.12
TOTAL	**636,410**	**26.55**

Notes:

(1) The interests in Shares have been stated on a fully diluted basis (including options and growth shares).

(2) The other shareholders include Maha Kadirkamanathan, Ruth Angus, Ella Mamelok, Adam Guthrie and Graham Sills.

Under the terms of their respective Shareholders' Agreements, each of the Invoke Shareholders, Summit Partners and KKR DA will undertake, for themselves and, so far as they are able to procure, on behalf of each of their associates (as applicable): (a) that they shall take all steps as may be reasonably requested by the Company to enable it to carry on an independent business as its main activity and otherwise to operate in full compliance at all times with the provisions of the Listing Rules; and (b) not to unduly influence or seek to unduly influence the day-to-day operation of the Group. In the case of any Nominee Director, such undertaking shall be subject to such director complying at all times with his or her legal and fiduciary duties.

Unless prohibited by law or regulation, each of the Nominee Directors for the Invoke Shareholders, Summit Partners and KKR DA shall be entitled to disclose to the Invoke Shareholders, Summit Partners and KKR DA respectively, any information provided to such Nominee Director by any member of the Group or which otherwise comes into his or her possession through his or her role as Director (subject to the Nominee Director complying with his or her duties as a director), provided that each of Invoke Shareholders, Summit Partners and KKR DA and their respective associates (as applicable) keep all such information received as confidential information.

For so long as each Shareholders' Agreement is in force, the election of any independent director to the Board shall be approved by separate resolutions of the independent shareholders of the Company as well as by the shareholders of the Company as a whole.

Further, each of the Invoke Shareholders, Summit Partners and KKR DA intend to agree that they shall not, and shall procure, so far as they are able to, that their respective associates (as applicable) shall not:

1. take any action that would have the effect of preventing the Company and any other member of the Group from carrying on its business independently of each of them and their respective associates and/or making decisions for the benefit of the Company's shareholders as a whole;

2. take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules or other applicable laws and regulations;

3. take any action that would have the effect of preventing the Company and the Board from managing their affairs in accordance with the principles of good governance set out in the UK Corporate Governance Code (save as disclosed in the Prospectus or any annual report);

4. propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

5. exercise any of their voting rights or other rights and powers in a way that would be inconsistent with, or breach any of the provisions of, their respective shareholder agreement;

6. take any action that would have the effect of preventing the Company or any other member of the Group from complying with applicable laws and regulations, including its obligations under the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation or other applicable laws and regulations;

7. conduct any transactions and arrangements with the Company or any other member of the Group, other than at arm's length and on normal commercial terms and in accordance with the related party rules set out in Chapter 11 of the Listing Rules; and

8. take any action which they know (or should reasonably know) would prejudice either the Company's status as a listed company or its suitability for listing

Each of the Invoke Shareholders, Summit Partners and KKR DA will undertake to the Company that: (a) in the event it wishes to purchase additional Shares in the Company, it will not discuss its intentions with any other Shareholder in advance of such purchase; (b) it will not come together with any other Shareholder to act in concert; and (c) it will not make an offer for the Company, without the consent of the Company. Nothing in this provision shall prevent a Shareholder from: (a) accepting an offer for the Company's Shares at any stage; or (b) agreeing to accept any offer for the Shares either before or after such offer's announcement.

Further, the Invoke Shareholders will confirm that no Invoke Shareholder will unduly influence any other Invoke Shareholder to exercise their voting rights at any general meeting of the Company in any way. Nothing in this confirmation shall prohibit an Invoke Shareholder from appointing a common proxy to exercise their voting rights, provided that no Invoke Shareholder exercises their vote under any undue influence from another Invoke Shareholder. The Invoke Shareholders will confirm that they will not unduly influence any other Invoke Shareholder in respect of the decision of the Invoke Shareholders to nominate a Nominee Director for appointment. The Invoke Shareholders will also confirm that, other than their Shareholder Agreement and the Invoke Nominee Director appointment, there is no other agreement, whether formal or informal, between any or all of the Invoke Shareholders in relation to the Company and the Invoke Shareholders undertake to not enter into any such agreement (including an agreement to exercise their voting rights in a collective manner (ie ceding voting rights to a majority of a group) with other Invoke Shareholder. However, nothing in the confirmation shall prevent any Invoke Shareholder from discussing a shareholder resolution provided that no Invoke Shareholder unduly influences any other Invoke Shareholder to exercise their voting rights on such shareholder resolution in any way.

For so long as their respective Shareholders' Agreements are in force, the Invoke Shareholders, Summit Partners and KKR DA shall each, promptly following the request of the Company, confirm to the Company, in writing, every six months from the date of the respective Shareholders' Agreement, that it and its associates have complied with their respective undertakings pursuant to their Shareholders' Agreement. In the event of non-compliance, the respective Shareholders shall provide a brief description of the background to and reasons for failing to comply with the relevant undertaking or procurement obligation to enable the Company and other shareholders of the Company to evaluate the impact of non-compliance on the Company. Further, the Company shall include in its annual financial report a statement by the Directors whether the Shareholders and their associates have confirmed their compliance with the Shareholders' Agreements and, in the event of a non-compliance, a brief description of the background to and reasons for failing to comply with the relevant undertaking or procurement obligation that enables other shareholders of the Company to evaluate the impact of non-compliance on the Company.

The provisions of each Shareholders' Agreement will remain in full force and effect in respect of the Invoke Shareholders, Summit Partners or KKR DA for so long as the Invoke Shareholders, Summit Partners and KKR DA (as applicable), together with their respective associates, continue to exercise, or to control, directly or indirectly, 10% or more of the voting rights attaching to the issued share capital of the Company (save that the each Shareholders' Agreement will be terminated if the Company ceases to be admitted to the premium listing segment of the Official List).

The Directors believe that the Group is able to carry on its business independently and to ensure that all transactions and relationships between the Company and/or the members of the Group, on the one hand, and each of the Invoke Shareholders, Summit Partners and KKR DA, respectively and/or their associates, on the other hand, are, and will be, conducted at arm's length and on normal commercial terms.

Part 7

SELECTED FINANCIAL INFORMATION

The selected financial information set out below has been extracted without material amendment from Sections B and C of Part 8: "Historical Financial Information" of this Registration Document, where it is shown with important notes describing some of the line items.

Consolidated statement of comprehensive income

	For the 6 months ended		For the year ended		
	31 Dec 2020	31 Dec 2019 (unaudited)	30 June 2020	30 June 2019	30 June 2018
	$'000	$'000	$'000	$'000	$'000
Revenue	126,514	91,076	199,076	137,017	79,415
Cost of sales	(12,399)	(7,010)	(17,477)	(12,252)	(8,225)
Gross profit	**114,115**	**84,066**	**181,599**	**124,765**	**71,190**
Sales and marketing costs	(86,738)	(86,338)	(163,052)	(130,532)	(91,117)
Administrative expenses					
Research and development costs	(10,657)	(5,574)	(12,030)	(9,715)	(7,512)
Other administrative expenses	(21,500)	(13,954)	(26,887)	(20,247)	(12,587)
Credit loss charge	(423)	(103)	(5,344)	(1,326)	(587)
Other operating income	322	424	811	850	–
Operating loss	**(4,881)**	**(21,479)**	**(24,903)**	**(36,205)**	**(40,613)**
Finance costs	(43,044)	(1,164)	(2,405)	(2,224)	(1,262)
Finance income	59	453	382	937	250
Loss before taxation	(47,866)	(22,190)	(26,926)	(37,492)	(41,625)
Taxation	(545)	(580)	(1,746)	2,800	(869)
Net loss	**(48,411)**	**(22,770)**	**(28,672)**	**(34,692)**	**(42,494)**
Other comprehensive (loss)/income					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign exchange difference arising on presentational currency change	–	–	–	(1,708)	1,315
Total comprehensive loss	**(48,411)**	**(22,770)**	**(28,672)**	**(36,400)**	**(42,179)**
Earnings per share					
Basic (loss)/earnings per share	**$(24.69)**	**$(11.10)**	**$(13.49)**	**$(16.89)**	**$(19.32)**
Diluted (loss)/earnings per share	**$(24.69)**	**$(11.10)**	**$(13.49)**	**$(16.89)**	**$(19.32)**

All of the results for the periods presented are attributable to equity holders of Darktrace Holdings Limited.

Consolidated statement of financial position

	31 Dec 2020	31 Dec 2019 (unaudited)	30 June 2020	30 June 2019	30 June 2018
	$'000	$'000	$'000	$'000	$'000
Non-current assets					
Intangible assets	8,563	5,734	6,049	4,690	3,139
Property, plant and equipment	48,322	48,180	49,462	42,882	30,066
Right of use ("RoU") assets	32,530	25,150	31,411	27,353	15,205
Capitalised commission	16,256	11,738	14,659	9,438	5,225
Deposits	5,154	5,286	4,895	5,040	3,726
	110,825	96,088	106,476	89,403	57,361
Current assets					
Trade and other receivables	69,005	52,261	60,363	39,867	38,097
Capitalised commission	12,302	9,237	10,890	7,915	4,497
Tax receivable	1,292	1,221	1,267	4,845	–
Cash and cash equivalents	103,912	46,568	53,944	64,443	29,178
	186,511	109,287	126,464	117,070	71,772
Total assets	**297,336**	**205,375**	**232,940**	**206,473**	**129,133**
Current liabilities					
Deferred revenue	(108,736)	(81,615)	(96,769)	(72,552)	(42,881)
Lease liabilities	(5,233)	(5,347)	(4,903)	(4,438)	(2,197)
Tax payable	–	–	(508)	(257)	(378)
Trade and other payables	(59,797)	(45,030)	(50,482)	(37,635)	(25,516)
Non-current liabilities	(173,766)	(131,992)	(152,662)	(114,882)	(70,972)
Deferred revenue	(30,216)	(24,629)	(25,779)	(22,702)	(21,582)
Lease liabilities	(33,478)	(24,457)	(30,643)	(26,857)	(14,995)
Convertible loan, host contract	(98,577)	–	–	–	–
Convertible loan, embedded derivative	(106,895)	–	–	–	–
	(269,166)	(49,086)	(56,422)	(49,559)	(36,577)
Total liabilities	**(442,932)**	**(181,078)**	**(209,084)**	**(164,441)**	**(107,549)**
Net (liabilities)/assets	**(145,596)**	**24,297**	**23,856**	**42,032**	**21,584**
Equity					
Share capital	27	27	29	33	31
Share premium	43,553	170,367	170,402	181,621	131,533
Capital contribution	–	–	–	–	–
Stock compensation reserve	26,678	15,444	20,868	10,828	4,070
Foreign currency translation reserve	(4,398)	(4,398)	(4,398)	(4,398)	(2,690)
Retained earnings	(211,456)	(157,143)	(163,045)	(146,052)	(111,360)
Total equity	**(145,596)**	**24,297**	**23,856**	**42,032**	**21,584**

Consolidated statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Capital contribution	Share-based payments Reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	
Balance at 30 June 2019	**33**	**181,621**	**(4,398)**	**–**	**10,828**	**(146,052)**	**42,032**
Effect of change in functional currency	(6)	(11,357)	–	–	(316)	11,679	–
Balance at 1 July 2019	**27**	**170,264**	**(4,398)**	**–**	**10,512**	**(134,373)**	**42,032**
Net loss	–	–	–	–	–	(22,770)	(22,770)
Other comprehensive (loss)/income	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	(22,770)	**(22,770)**
Shares issued	–	103	–	–	–	–	103
Credit to equity for share based compensation charge	–	–	–	–	4,932	–	4,932
Transactions with shareholders	–	103	–	–	4,932	–	5,035
Balance at 31 December 2019, unaudited	**27**	**170,367**	**(4,398)**	**–**	**15,444**	**(157,143)**	**24,297**
Balance at 1 July 2020	**29**	**170,402**	**(4,398)**	**–**	**20,868**	**(163,045)**	**23,856**
Total comprehensive loss:							–
Net loss	–	–	–	–	–	(48,411)	(48,411)
Other comprehensive (loss)/income	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	(48,411)	**(48,411)**
Shares issued	–	212	–	–	–	–	212
Share repurchase and cancellation	(2)	(127,061)	–	–	–	–	(127,063)
Credit to equity for share based compensation charge	–	–	–	–	5,810	–	5,810
Transactions with shareholders	(2)	(126,849)	–	–	5,810	–	**(121,041)**
Balance at 31 December 2020	**27**	**43,553**	**(4,398)**	**–**	**26,678**	**(211,456)**	**(145,596)**
Balance at 1 July 2017	30	81,783	(4,005)	2,954	1,784	(71,820)	10,726
Total comprehensive loss:							
Net Loss	–	–	–	–	–	(42,494)	(42,494)
Other comprehensive loss:							
Foreign exchange difference arising on translation to presentation currency	–	–	1,315	–	–	–	1,315
Total comprehensive loss	–	–	1,315	–	–	(42,494)	(41,179)
Reserve's transfer	–	–	–	(2,954)	–	2,954	–
Shares issued	1	49,750	–	–	–	–	49,751
Credit to equity for share based compensation charge	–	–	–	–	2,286	–	2,286
Transactions with shareholders	1	49,750	–	(2,954)	2,286	2,954	52,037
Balance at 30 June 2018	**31**	**131,533**	**(2,690)**	**–**	**4,070**	**(111,360)**	**21,584**
Total comprehensive loss:							
Net Loss	–	–	–	–	–	(34,692)	(34,692)
Other comprehensive loss:							
Foreign exchange difference arising on translation to presentation currency	–	–	(1,708)	–	–	–	(1,708)
Total comprehensive loss	–	–	(1,708)	–		(34,692)	(36,400)
Shares issued	2	50,088	–	–	–	–	50,090
Credit to equity for share based compensation charge	–	–	–	–	6,758	–	6,758
Transactions with shareholders	2	50,088	–	–	6,758	–	56,848
Balance at 30 June 2019	**33**	**181,621**	**(4,398)**	**–**	**10,828**	**(146,052)**	**42,032**
Effect of change in functional currency	(6)	(11,357)		–	(316)	11,679	–
Balance at 1 July 2019	**27**	**170,264**	**(4,398)**	**–**	**10,512**	**(134,373)**	**42,032**
Total comprehensive loss:							
Net Loss	–	–	–	–	–	(28,672)	(28,672)
Other comprehensive loss	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	**(28,672)**	**(28,672)**
Shares issued	2	138	–	–	–	–	140
Credit to equity for share based compensation charge	–	–	–	–	10,356	–	10,356
Transactions with shareholders	**2**	**138**	**–**	**–**	**10,356**	**–**	**10,496**
Balance at 30 June 2020	**29**	**170,402**	**(4,398)**	**–**	**20,868**	**(163,045)**	**23,856**

Consolidated statement of cash flows

	For 6 months ended		For the year ended		
	31 Dec 2020	31 Dec 2019 (unaudited)	30 June 2020	30 June 2019	30 June 2018
	$'000	$'000	$'000	$'000	$'000
Cash generated from operations					
Loss for the period	(48,411)	(22,770)	(28,672)	(34,692)	(42,494)
Adjustments for:					
Depreciation of property, plant and equipment ("PPE") and RoU asset	11,795	9,599	21,055	15,993	9,367
Amortisation of intangible assets	949	276	1,429	890	875
Amortisation of capitalised commission	6,405	4,801	10,441	7,092	3,703
Impairment loss on PPE	90	–	–	–	–
Loss/(Profit) on disposal of PPE	244	71	376	681	93
Foreign exchange differences	(1,176)	152	(148)	(2,665)	572
Credit loss charge	423	103	5,344	1,326	587
Share based compensation charge	5,810	4,932	10,356	6,758	2,286
Finance costs	1,382	1,164	2,405	2,224	1,262
Charge for convertible loan (host contract)	14,302	–	–	–	–
Charge for convertible loan (embedded derivative)	27,360	–	–	–	–
Finance income	(59)	(453)	(382)	(937)	(250)
Other operating income	(322)	(424)	(811)	(850)	–
Taxation	545	580	1,746	(2,800)	869
Operating cash flows before movements in working capital	**19,337**	**(1,969)**	**23,139**	**(6,980)**	**(23,130)**
Increase in trade and other receivables	(7,248)	(12,245)	(25,641)	(5,678)	(27,304)
Increase in capitalised commission	(9,414)	(8,850)	(19,064)	(14,915)	(9,224)
Increase in trade and other payables	6,960	5,526	10,758	13,302	11,289
Increase in deferred revenue	16,404	10,990	27,294	34,455	32,331
Net cash flows from operating activities before tax	**26,039**	**(6,548)**	**16,486**	**20,184**	**(16,038)**
Tax received/(paid)	(756)	3,211	2,894	(1,429)	(647)
Net cash flow from operating activities	**25,283**	**(3,337)**	**19,380**	**18,755**	**(16,685)**
Cash flows from investing activities					
Development costs capitalised	**(2,473)**	**(1,320)**	**(2,788)**	**(2,621)**	**(1,945)**
Purchase of property, plant and equipment	(6,137)	(10,523)	(20,389)	(25,106)	(16,476)
Finance income	59	453	382	937	250
Net cash flow from investing activities	**(8,551)**	**(11,390)**	**(22,795)**	**(26,790)**	**(18,171)**
Financing activities					
Proceeds from share issues	212	103	140	50,090	49,750
Repurchase of shares	(127,063)	–	–	–	–
Proceeds from convertible loan/borrowings	162,821	–	–	–	–
Repayment to shareholder (net)	–	–	–	(1,411)	(3,788)
Repayment of lease liabilities	(2,642)	(2,085)	(4,519)	(2,947)	(1,288)
Payment of interest on lease liabilities	(1,382)	(1,164)	(2,405)	(2,224)	(1,262)
Net cash flow from financing activities	**31,946**	**(3,146)**	**(6,784)**	**43,508**	**43,412**
Net increase/(decrease) in cash and cash equivalents	48,678	(17,873)	(10,199)	35,473	8,556
Cash and cash equivalents at the beginning of period	53,944	64,443	64,443	29,178	19,623
Exchange difference on cash held (net)	1,290	(2)	(300)	(208)	999
Cash and cash equivalents at the end of period	**103,912**	**46,568**	**53,944**	**64,443**	**29,178**

Part 8

OPERATING AND FINANCIAL REVIEW

This Part 8: "Operating and Financial Review" should be read in conjunction with Part 2: "Presentation of Financial and Other Information", Part 4: "Industry Overview"; Part 5: "Business" and Part 9: "Historical Financial Information". Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 8: "Operating and Financial Review" is extracted from the financial information set out in Part 9: "Historical Financial Information". Figures at, or for the period ended, 31 December 2019 are unaudited comparatives.

The following discussion of the Group's results of operations and financial conditions contains forward-looking statements. The Group's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Registration Document, particularly under Part 1: "Risk Factors" and Part 2: "Presentation of Financial and Other Information". In addition, certain industry issues also affect the Group's results of operations and are described in Part 4: "Industry Overview".

1. COMPANY OVERVIEW

Darktrace is a world leading provider of AI for the enterprise, with the first at scale deployment of AI in cyber security. Darktrace is a pioneer of self-learning AI and is at the forefront of autonomous response technology. Created by mathematicians, the Group's platform uses machine learning and AI algorithms to neutralise cyber threats across diverse digital estates, including the cloud and networks, IoT and industrial control systems. The technology learns self and requires minimal set-up, quickly identifying threats that have breached the perimeter, including threats exploiting previously unknown vulnerabilities, and threats by insiders and cyber attackers. With deep expertise in mathematics and machine learning, as well as operational experience defending critical organisational assets, Darktrace seeks to empower organisations to defend their systems against the most silent and sophisticated cyber threats.

Darktrace's innovative technology, its current market position and its strong balance sheet leave the Group well placed to continue to grow in a rapidly expanding market. The Group currently serves over 4,700 customers in over 100 countries, with more than 1,500 employees globally. Darktrace is headquartered in Cambridge, UK.

The increasing speed and sophistication of cyber attacks has made it more difficult for traditional security providers to defend against these attacks. Offensive AI and silent attacks have made it more likely that an attacker will surpass existing security measures. Organisations are increasingly vulnerable to cyber attacks as a result of increasingly fragmented and complex digital operations that blur the boundary between the inside and outside of networks; data explosion and proliferation; and overwhelmed security teams. Organisations with traditional security solutions remain vulnerable to attacks. Approximately 74% of Darktrace's trial deployments in 2020 detected serious vulnerabilities that very often had evaded other defences and quickly demonstrate to prospective customers the comprehensive nature of the AI driven technology.

Unlike traditional cyber security methods, Darktrace's Cyber AI Platform learns the normal operations of an individual customer and continuously adapts to change. Because the technology understands self, it identifies when an emerging threat develops in any part of the digital estate and autonomously responds to it by enforcing normal operations. The Cyber AI Platform utilises self-learning technology, not pre-programmed rules and signatures, enabling the ability to identify zero day attacks, which exploit vulnerabilities before they can be fixed. Darktrace's Cyber AI Platform can protect across an entire organisation and provide holistic visibility with proportionate responses at machine speed. Beyond the speed of detection and response that the Cyber AI Platform's advanced technology employs, from the customer's perspective the output is displayed simply, in an easy to understand format. The Cyber AI Platform's average set up time is one hour and the machine learning gains visibility through software sensors that analyse raw, real-time data.

Darktrace spans the digital business, providing overarching capabilities critical to a complete, continuous security platform. The Darktrace Cyber AI Platform can provide protection throughout the workforce, infrastructure and industrial side of a business, offering a fully automated solution with three main areas of focus: (i) self-learning detection; (ii) automated investigation; and (iii) autonomous response.

The Enterprise Immune System and Industrial Immune System use self-learning AI technology to spot the subtle signals of sophisticated attacks and do not rely on traditional rules and signatures to help detect attacks and defend against them. The Cyber AI Analyst product augments human cyber security teams, by automatically triaging, interpreting and reporting on security incidents. The Directors believe Darktrace Antigena is the first solution to use autonomous response to interrupt detected attacks.

The Group's next phase of product development will focus on prevention and cyber compliance using automated penetration testing and cyber hygiene compliance, as well as self-healing and self-remediating technologies. In collaboration, these products will offer a closed loop AI platform that can operate at machine speed.

The Group's revenue increased from $79.4 million in the financial year ended 30 June 2018 to $137.0 million in the financial year ended 30 June 2019 and $199.1 million in the financial year ended 30 June 2020, an increase of 72.5% and 45.3% respectively. The Group's revenue increased from $91.1 million in the six months ended 31 December 2019 to $126.5 million in the six months ended 31 December 2020, an increase of 38.9%. The Group's operating loss decreased from $40.6 million in the financial year ended 30 June 2018 to $36.2 million in the financial year ended 30 June 2019 and $24.9 million in the financial year ended 30 June 2020 as the Group achieved economies of scale, primarily in sales and marketing. The Group's operating loss decreased from $21.5 million in the six months ended 31 December 2019 to $4.9 million in the six months ended 31 December 2020. Over the last year the business has grown substantially. In the six months ended 31 December 2020, the Group recorded total RPO of $612.3 million, which is an increase of $156.6 million, or 34% over the six months ended 31 December 2019.

2. KEY PERFORMANCE INDICATORS ("KPIs")

The Group regularly reviews a number of metrics, including the following key metrics, to evaluate its business, measure its performance, identify trends affecting its business, formulate financial projections and make strategic decisions. The presentation of year-over-year growth in net ARR added and ARR, as well as one-year gross ARR churn and net ARR retention rate, are based on constant currency exchange rates as of 30 June 2020. The presentation of RPO uses rates as of the last day of the reporting period as the Group believes this more closely aligns to future revenue value.

In addition to the Group's results determined in accordance with IFRS, the Directors believe the following measures are useful in evaluating the Group's operating performance:

	Six months ended 31 December		Financial Year ended 30 June		
	2020	**2019**	**2020**	**2019**	**2018**
			(unaudited)		
ARR ($000)	281,789	202,882	235,676	169,193	103,030
Net ARR added ($000)	46,113	33,689	66,483	66,163	2,056
One-Year Gross ARR Churn Rate (%)	8.1%	6.9%	6.9%	8.6%	5.9%
Net ARR Retention Rate (%)	99.7%	100.2%	98.4%	101.4%	100.8%
Average Contract ARR	60,250	62,044	61,088	61,953	62,104
EBIT ($000)	(4,881)	(21,479)	(24,903)	(36,205)	(40,613)
Adjusted EBIT ($000)	7,451	(16,614)	(14,614)	(28,908)	(37,311)
EBITDA ($000)	14,268	(6,803)	8,022	(12,229)	(26,667)
Adjusted EBITDA ($000)	20,797	(6,175)	8,919	(11,251)	(27,019)
Number of Customers	4,677	3,270	3,858	2,731	1,659
RPO ($000)	612,313	455,701	539,929	382,573	232,954

Each of these measures is described more fully below.

ARR:

The Group's ARR is a non-IFRS financial measure that the Group defines as the sum of all ARR for its customers as of the measurement date. The ARR for each customer is the annual committed subscription value of each order booked for which it will be entitled to recognise revenue, assuming the customer continues to renew all contracted subscriptions. For example, a contract for $3.0 million with a contractual term of three years would have ARR of $1.0 million, as long as the customer remains contractually committed. In the small number of cases where a customer has an opt-out within six months of entering a contract, the Group does not recognise ARR on that contract until after that opt-out period has passed.

The distribution of ARR by the size of contract ARR for the referenced periods is as follows:

	Six Months ended 31 December		Financial Year ended 30 June		
	2020	2019	2020	2019	2018
Less than $100,000	53.1%	53.5%	53.2%	53.3%	53.5%
Greater than $100,000	46.9%	46.5%	46.8%	46.7%	46.5%

Net ARR Added:

Net ARR added is a non-IFRS measure defined as new customer ARR added in a period, plus the net impact of upsell, down-sell, and churn activity in the existing customer base in that period.

For net ARR added, the relationship to hiring, productive salesforce growth, POV delivery, and conversion rate is influenced by seasonality factors. Generally, the financial quarter with the highest ARR added is the quarter ending 31 December, followed closely by the quarter ended 30 June. For the last two financial years, these two quarters have produced approximately 58% of the year's net ARR added. The financial quarter ending in September is usually the lowest, reflecting the impact of slower summer sales months in the Group's largest markets.

One-Year Gross ARR Churn Rate:

One-year gross ARR churn rate is a non-IFRS financial measure that the Group defines as the ARR value of customers lost from the existing customer cohort one year prior to the measurement date, divided by the total ARR value of that existing customer cohort. This churn rate reflects only customer losses and does not reflect customer expansions or contractions.

Net ARR Retention Rate:

Net ARR retention rate is a non-IFRS financial measure defined as the current ARR value for all customers that were customers one year prior to the measurement date, divided by their ARR one year prior to the measurement date. This retention rate does reflect customer losses, expansions, and contractions.

Average Contract ARR:

Average contract ARR is a non-IFRS financial measure that is defined as the total ARR at the measurement date divided by the number of customers at that measurement date.

EBIT:

EBIT is a non-IFRS measure defined as the Group's operating profit or loss.

Adjusted EBIT:

Adjusted EBIT is a non-IFRS financial measure defined as the Group's EBIT plus share-based payment charges, plus certain share option-related employer tax charges. For a reconciliation of Adjusted EBIT to operating loss, the most directly comparable financial measure calculated in accordance with IFRS, see section 4 of Part 2 (*Non-IFRS financial information*).

EBITDA:

EBITDA is a non-IFRS financial measure defined as the Group's EBIT plus depreciation and amortisation. For a reconciliation of EBITDA to operating loss, the most directly comparable financial measure calculated in accordance with IFRS, see section 4 of Part 2 (*Non-IFRS financial information*).

Adjusted EBITDA:

Adjusted EBITDA is a non-IFRS financial measure defined as the Group's EBITDA minus appliance depreciation attributed to cost of sales, plus share-based payment charges, plus share option-related employer tax charges. For a reconciliation of Adjusted EBITDA to operating loss, the most directly comparable financial measure calculated in accordance with IFRS, see section 4 of Part 2 (*Non-IFRS financial information*).

Number of Customers:

Number of Customers is an operating metric defined as the count of the contracting entities that are generating ARR at the measurement date. The distribution of customers above and below $100,000 in ARR has remained consistent as the Company has grown. The distribution of customers by the size of contract ARR for the referenced periods is as follows:

	Six Months ended 31 December		Financial Year ended 30 June		
	2020	**2019**	**2020**	**2019**	**2018**
Less than $100,000	86.1%	86.4%	86.1%	86.4%	86.3%
Greater than $100,000	13.9%	13.6%	13.9%	13.6%	13.8%

RPO:

RPO is a non-IFRS financial measure that represents committed revenue backlog. RPO is calculated by summing all committed customer contract ARR values that have not yet been recognised as revenue, valued at the exchange rates on the last day of the reporting period. Actual revenue recognised may differ, primarily because of the application of actual exchange rates at the dates of revenue recognition.

	Six months ended 31 December		Financial Year ended 30 June		
	2020	**2019**	**2020**	**2019**	**2018**
			(unaudited, in $ thousands)		
Due within 12 months	263,724	188,895	225,782	157,256	96,936
Due within 1-2 years	183,592	142,256	162,455	120,250	72,033
Due within 2-3 years	109,085	80,816	95,645	69,704	41,901
Due within 3-4 years	45,841	31,746	41,846	25,787	15,537
Due over 4 years	10,071	11,989	14,221	9,576	6,547
Total	**612,313**	**455,702**	**539,949**	**382,573**	**232,954**

The Group's increasing RPO, driven by new customer acquisition under long-term contracts, creates significant revenue visibility. Over time, the percent of annual revenue in RPO at the start of each year has increased, reaching 79% for fiscal 2020.

See also Part 2: "*Presentation of Financial and Other Information—Non-IFRS financial information*."

3. CURRENT TRADING AND PROSPECTS

In the period since 31 December 2020, the Group has traded in line with management's expectations, achieving sales levels as anticipated for the time of year and current size of its productive salesforce. Customer interest in the Group's technology and products remains healthy and consistent with achieving its growth objectives for the current financial year.

Long Term Steady State

In the long term and at a steady state, the Group aims for an Adjusted EBIT margin in the range in the mid-20 percent of revenue range. This is expected to result from cost of sales of 10% to 13% of revenue, sales and marketing costs of 40% to 43% of revenue, research and development costs of 10% to 13% of revenue and other administrative expenses of 10% to13% of revenue. This long-term steady state is not anticipated to be achieved in the foreseeable future or in a linear fashion, if at all, and the Group's targets may change based on developments in the Group's business.

Near Term Financial Guidance

For the financial year ended 30 June 2021, the Group expects a year-over-year increase in ARR in the range of 34.0% to 35.5%. This increase should be the result of 22.5% to 25.5% year-over-year increase in net ARR added, combined with a net ARR retention rate that is expected to remain in the range of 100%. With respect to net ARR added, the Group notes that it captured significant pent-up demand late in the first half of the financial year ended 30 June 2021, the result of purchasing decisions that had been delayed as a result of the COVID-19 pandemic finally being made at the end of many customers' budget and financial years. Because of this outperformance relative to sales capacity, and because the Group is still rebuilding the productive sales capacity lost to an early pandemic hiring freeze, expected growth in net ARR added for the financial year ended 30 June 2021 is weighted to the first half of the year.

Resulting from the expected year-over-year ARR increase, the Group now expects year-over-year revenue growth for the financial year ended 30 June 2021 of between 36.0% and 38.0%.

For the financial year ended 30 June 2022, the Group expects a year-over-year increase in ARR in the range of 26.5% to 28.5%. This increase should be the result of 5.0% to 9.0% year-over-year increase in net ARR added, combined with a net ARR retention rate that is expected to remain in the range of 100%. With respect to net ARR added, the Group notes that it is still rebuilding the productive sales capacity lost to an early pandemic hiring freeze and does not expect the year-over-year growth in its Productive Salesforce (defined below) to approach pre-pandemic levels until mid-to-late in the financial year ended 30 June 2022. This, along with the expectation that all pent-up demand was captured in the financial year ended 30 June 2021, is the driver of the expected lower growth rate in net ARR added. However, as the Group has an accumulating ARR and revenue model, driven by long-term contracts, year-over-year growth in both ARR and revenue are expected to remain high, with year-over-year revenue growth for fiscal 2022 in the range of 27.0% to 30.0%.

In the short to medium term, the Group expects that cost of sales remain slightly lower than, or at the low end of, the Group's target range for these costs. However, a shift in product mix, or decisions around pricing strategy made to drive revenue growth, may lead to the Group choosing to absorb more direct costs, either temporarily or permanently.

The Group expects that its sales and marketing costs will continue to decline as a percent of revenue, driven by its long-term contracts and accumulating revenue base. However, in the short-to-intermediate term, that progression will likely be impacted by the return of the travel and entertainment costs that have been largely eliminated during the COVID-19 pandemic. In the absence of the COVID-19 pandemic-related reductions in sales and marketing-related travel and entertainment costs, the Group would have expected to incur $6.0 million to $7.0 million in additional sales and marketing costs in the fourth quarter of the financial year ended 30 June 2020, with increases in the first two quarters of the financial year ended 30 June 2021. The Group expects sales and marketing costs to be the last of its operating cost categories to reach its target range, as it continues to invest to capture market opportunity and drive growth.

The Group expects research and development costs to increase steadily as a percent of revenue, and that it will be first of the operating cost categories to reach its target range of 10-13% of revenue. This increase will be driven primarily by increased compensation costs as the Group increases its headcount, and resulting development capacity, to accelerate new product development.

The Group expects that, as a percent of revenue, other administrative costs are likely to remain in the range seen in the six months ended 31 December 2020 for the short-to-intermediate term. It saw other administrative costs rise as a percent of revenue from historic levels in this most recent period, largely as a result of IPO readiness costs, and it expects those costs to be replaced with public company costs. The Group does not expect to see economies of scale in other administrative costs until beyond the financial year ended 30 June 2022, as it continues to scale its infrastructure and absorb the costs of being a larger, listed company.

The presentation of year-over-year growth in net ARR added and ARR above are based on constant currency exchange rates as of 30 June 2020. The Group will reset these rates on 30 June 2021 and these measures will be recalculated for prior periods and used as the basis of comparison for the financial year ended 30 June 2022. Depending on currency movements relative to the rates used for the financial year ended 30 June 2021, the ranges presented for the financial year ended 30 June 2022 may change.

These targets are forward-looking statements and have been developed based on assumptions with respect to future business decisions and conditions that are subject to change as well as expected growth in the markets in which the Group operates. The Group's ability to achieve them will depend on a number of factors, many of which are outside the Group's control, including uncertainties arising from those risks set out in Part 1: "*Risk Factors*". As a result, the Group's actual results may vary from the guidance set out above, and those variations may be material.

4. FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results have been affected, and are expected to be affected in the future, by a variety of factors. A discussion of key factors that have had, or may have, an effect on the Group's results is set forth below (for a further discussion of the factors affecting the Group's results of operations, see Part 1: "*Risk Factors*").

Acceptance of AI and the Cyber AI Platform

The Directors believe that the cyber security industry is in the early days of a significant evolution, as traditional security approaches alone can no longer effectively protect organisations from cyber threats. The limitations of legacy traditional cyber security products, coupled with a dynamic and growing threat landscape, are intensifying the need for organisations to re-evaluate their approach to cyber security. As organisations grow and become more diversified, adding more endpoints and workloads, they expand the attack surface available to sophisticated adversaries targeting their data and IT infrastructure. As security threats multiply, organisations often find themselves unable to hire sufficient security professionals to address all security gaps and vulnerabilities, underscoring the need for automated systems to effectively address these threats.

In this context, the Directors believe the Group's growth opportunities are significant. The Group estimates that its current bottom-up TAM amounts to approximately $40 billion, reflecting a substantial global greenfield opportunity for Darktrace to capitalise on in order to sustain its strong growth. See also Part 4: "*Industry Overview — Capitalise on growth in the overall market*." The Group's ability exploit this opportunity and drive revenue growth is driven by, among other factors, the extent to which potential customers are comfortable with AI in general and to adopt the Group's Cyber AI Platform specifically. Many organisations have not yet abandoned the legacy products in which they have invested substantial personnel and financial resources to design and maintain. Historically, an increasing acceptance of AI, and adoption of the Group's Cyber AI Platform, has correlated with growth in the Group's historical revenue. The future pace of this acceptance and adoption will be impacted by factors such as the effectiveness of Darktrace's marketing, the pace of innovation of the cyber threat landscape, the ability to scale its salesforce and the education of prospective customers.

Investment in Sales and Marketing

In the period from the financial year ended 30 June 2018 through the current period ended 31 December 2020, the Group's revenue growth has been primarily driven by new customer acquisition. New customer acquisition rates are, in turn, driven by the size of the Group's Productive Salesforce. Between the financial years ended 30 June 2018 and 2020, the Group's revenue increased at a 58% compound average growth rate ("**CAGR**"), which was driven in large part by the growth of the Group's Productive Salesforce, which grew at a CAGR of 42% over the same period. In the same period, the Group's sales and marketing expenses increased from $91.1 million in the financial year ended 30 June 2018 to $163.1 million in the financial year ended 30 June 2020. New salespeople start to deliver POVs and sales in their third and fifth months, respectively. Accordingly, the Group considers a sales person to be part of the "Productive Salesforce" in their fifth month of employment. An individual sales person starts to be subject to sales performance targets with effect from their fifth month of employment with such targets ramping up until their twelfth month of employment. The Group incurs sales and marketing costs in connection with an individual salesperson's employment and sales activities during this ramp up period prior to such individual generating sales. The Group therefore expects there to be a lag in any increase in revenue following an increase in the size of its salesforce and sales and marketing expenses.

The COVID-19 pandemic has had an impact on the investment in sales and marketing activities, and therefore reduced the Group's sales and marketing costs, from late in the financial year ended 30 June 2020. Between the six months ended 31 December 2019 and 2020, the Group's revenue increased 38.9% with a corresponding 1% increase in the Productive Salesforce, with the Group's sales and marketing cost roughly flat. There has been a significant reduction in travel expenses as a result of government restrictions on travel. The Group also temporarily paused hiring of sales persons whilst it assessed the impact of the pandemic on its business. The Directors believe that this pause in hiring will lead to some short term limitation on new business growth until the Group is able to accelerate hiring to return to historic levels. The return of historic travel and hiring patterns may result in sales and marketing costs increasing more rapidly than revenue.

To support future sales, the Group has invested, and will continue to invest, in sales and marketing efforts to increase market and brand awareness, educate prospective customers and drive adoption of the Group's platform. Investments the Group makes in sales and marketing occur in advance of realising any benefits from such investments and cannot be linked to specific new business or sales "wins". The Group's marketing efforts are expected to continue to focus on seeding opportunities and may not lead to an immediate or direct increase in revenue.

Investment in Research and Development

The Group has historically invested, and intends to continue investing, in the research and development of AI-based technology to develop new products, both within the Group's existing Cyber AI Platform and in tangential areas to provide new products for the Productive Salesforce to monetise. The Group incurred research and development costs of $12.0 million in the year ended 30 June 2020, representing 6.0% of the Group's revenue. The Group's research and development costs were $9.7 million for the year ended 30 June 2019 and $7.5 million for the year ended 30 June 2018, or 7.1% and 9.5% of revenue, respectively. The Group's research and development costs were $10.7 million for the six months ended 31 December 2020 and $5.6 million for the six months ended 31 December 2019, or 8.4% and 6.1% of revenue, respectively. From 30 June 2018 to 31 December 2020 the number of employees in the Group's R&D teams has increased from 115 to 205. The Group has historically been able to maintain costs discipline with respect to research and development because of its self-learning AI technology. The Group does not need to allocate significant research and development spending to the maintenance of its existing cyber AI platform or the adaptation of the existing technology to novel threats as its self-learning AI technology performs these tasks autonomously.

The Group capitalises certain research and development costs, such costs being amortised over time in accordance with the Company's accounting policies. The remaining costs, which are recognised in the statement of comprehensive income, are primarily made up of labour and related costs. Given the Group's rapid growth, historically, the value of research and development costs being capitalised has been significantly higher than the value of the research and development-related amortisation recognised in the Group's statement of comprehensive income. For example, in the period from the financial year ended 30 June 2018 to 30 June 2020, the value of research and development costs being capitalised was between two and three times higher than the value of the amortisation of such costs recognised in the statement of comprehensive income.

The Group's next phase of R&D innovation will focus on prevention and cyber compliance using automated penetration testing and cyber hygiene compliance, as well as self-healing and self-remediating technologies, which is expected to lead to higher research and development costs.

Manage Customer Retention and Up-selling

The Group monitors and seeks to maximise customer retention. The Group's one year gross ARR churn rate was 6.9% and 8.1% as of 30 June 2020 and 31 December 2020, respectively, with the period ending 31 December 2020 reflecting the impacts of the COVID-19 pandemic, particularly for its smaller customers. This churn rate reflects only customer losses, and does not reflect customer expansion or contraction, and demonstrates that the vast majority of the Group's customers continue to use its platform. However, in the period from the financial year ended 30 June 2018 to the six months ended 31 December 2020 the Group's revenue growth has been primarily driven by new customer acquisition and not to a material extent by customer retention. Similarly, the Directors believe the Group is a platform business that should aim to sell the products and associated services available via the Cyber AI Platform to the greatest degree at the outset of the customer relationship. These factors may result in limitations on net ARR retention rates and upsell opportunities in the short to medium term as the Group focuses on new business growth. Nonetheless, the Group has recently invested in its Client Success team in order to focus on customer retention and upselling opportunities over time.

Currency Fluctuations

The Group operates globally, its functional currency is the U.S. Dollar, and its principal currencies of operation are the U.S. Dollar, the Euro and pounds sterling. The Group is therefore subject to currency exchange risk, particularly translation risk. To mitigate currency exchange risk, the Group generally seeks to match its invoicing and expenses for operations in jurisdictions where it has local currency revenue, invoicing customers and paying local expenses in that local currency. The Group has exposure to currency exchange translation risk because its functional and reporting currency is the U.S. Dollar and therefore fluctuations in foreign exchange rates impact the consolidation of non-U.S. Dollar denominated assets, liabilities, and earnings.

To assess its operating performance, the Group evaluates certain key performance indicators in constant currency, including ARR, net ARR added, one-year gross ARR churn, and net ARR retention rate. To calculate its constant currency measures, it adopts the exchange rates as of the last day of the prior financial year, recalculates the metrics for all prior periods and uses those rates throughout the current financial year. In some instances, the Group prepares metrics on both constant currency and an applicable U.S. Dollar rate to assess potential future impacts to its U.S. Dollar-based financial statements. For the financial year ended 30 June 2020, 57.0% of the Group's invoicing was in U.S. Dollars, with 23.0% in British Pound Sterling, 14.8% in Euros and 5.2% in a range of other currencies. For example, at the exchange rate on 31 December 2020, the actual ARR expressed in U.S. Dollar terms was $4.1 million higher than as presented in constant currency.

Seasonality

The Group experiences seasonality in its sales to both new and renewing customers. This seasonality leads to peaks in the Group's net ARR added in the Group's second financial quarter, followed closely by the Group's fourth financial quarter. In the financial years ended 30 June 2019 and 2020, these quarters have produced approximately 58% of the year's net ARR added. The first financial quarter ending in September is typically the lowest quarter, reflecting the impact of slower summer sales months in the Group's largest markets.

Significantly, due to the long-term nature of contracts and the fact contracts are almost entirely subscription-based, with revenue recognised rateably over the contract term, this seasonality in sales and net ARR added does not translate to seasonal effects in ARR or revenue. Any prolonged downturn in sales, however, may negatively affect the Group's revenue in future periods. Accordingly, the effect of downturns in sales and market acceptance of the Group's platform, and potential changes in its rate of renewals, may not be fully reflected in the Group's results of operations until future periods.

Convertible Loan Notes

In July 2020, the Group issued convertible loan notes ("**CLNs**") to certain existing shareholders for gross cash consideration of $163 million. $127 million of the proceeds were used to repurchase a portion of shares being distributed to the individual holders of an existing shareholder of Darktrace Holdings Limited. Were the Company to seek a listing, the CLNs would be converted to equity immediately before such listing and the Group would incur no further borrowing costs in connection with the CLNs in respect of the period after such listing. Accordingly, the Group's indebtedness and its finance costs would be lower post-listing.

The terms of the CLNs are described in more detail in "*Operating and Financial Review — Group Liquidity and Capital Resources*." As a result of the equity conversion and early settlement features of the CLNs they are classified as hybrid instruments, with both host loan and embedded derivative components. As the CLNs were issued to related parties, the carrying value of both components must equal the fair value of consideration received. As a result, the fair value of the embedded derivative was calculated and deducted from the $163 million of proceeds, with the balance allocated to the initial carrying value of the host loan. The fair value of the derivative at inception was calculated to be the difference between the value of equity that the Group estimates will be required to convert the CLNs, including accrued interest, at an expected redemption date, and the transaction proceeds. As the recorded value of the host loan is significantly lower than the face value of the CLNs, under the relevant accounting principles, an effective interest rate of 41.6% must be implied even though such rate is significantly higher than the coupon rate for the CLNs. The CLNs are recorded in the Group's statement of financial position at inception and 31 December 2020 as follows:

	31 Dec 2020 $'000	**2 July 2020 $'000**
Embedded derivative	106,895	79,535
Host loan	98,577	83,286
Total value of loan notes	**205,472**	**162,821**

For the six months ended 31 December 2020, the Group reported an operating loss of $4.9 million but a net loss of $48.4 million. This difference was primarily driven by the non-cash borrowing costs of the CLNs.

The Group's results of operations, as measured by net loss or total comprehensive loss, for the six months ended 31 December 2020, which reflect the impact of the CLNs, are not directly comparable with those of prior periods. Further, the Group's results of operations, as measured by net loss or total comprehensive loss, for the financial year ended 30 June 2021, which will also reflect the impact of the CLNs, will not be directly comparable with those of prior periods. For reasons mentioned above, the CLNs are not expected to have any further impact on financial results of the Group thereafter.

5. COMPONENTS OF THE GROUP'S RESULTS OF OPERATIONS

Revenue:

The Group generates revenue almost exclusively from subscription contracts with average terms of approximately three years. For each of the periods presented, these subscription contracts accounted for more than 99.5% of the Group's revenue. As the Group delivers, and the customer receives, the benefit of the purchased products relatively equally over the contract life, revenue for subscription contracts is recognised rateably over the service period, from commencement date to termination.

In a very small number of cases, the Group sells supplementary training or extra appliances separately from its software product deployments, but only to customers who have software product deployments. The revenue from these contracts is recognised when the training is delivered, or the appliance is sold.

Generally, about three-quarters of customers are invoiced annually in advance, with the remainder invoiced, relatively equally, either full contract value in advance, quarterly in advance or monthly in advance. As subscriptions that are invoiced as either full contract value in advance or annually in advance represent a significant portion of the Group's total invoicing, the Group has substantial short-term and long-term deferred revenue balances. Deferred revenue balances form part of the Group's RPO, which represent committed revenue backlog that, except for any future default amounts, should convert to revenue over the related contract lives.

Cost of Sales:

The Group's cost of sales are comprised of the costs of deploying its software, whether through physical appliances or in the cloud, and of providing both customer support and supplementary monitoring and response capabilities. The largest of the Group's contract-related deployments costs is the depreciation of contract-deployed appliances, but it also recognises costs for appliance shipping and cloud hosting. The Group matches the costs of appliance and cloud deployment mechanisms to the revenue stream.

Appliances are encrypted devices that cannot be used for any purpose other than to run Darktrace software and as such, have no separate use or value to a customer. The same appliances are used to deliver software for both POVs and customer contracts. The Group retrieves appliances at the end of each POV or contract and each appliance may be redeployed multiple times, in multiple situations, over its useful life. As such, except for the rare exceptions where an appliance is sold, the Group owns all appliances and accounts for them as Darktrace assets.

Appliances are depreciated over five years and the depreciation of the appliance pool is allocated between cost of sales and sales and marketing, based on where the appliances in that pool are used in each period. All appliance depreciation related to deployments for customers usage under contracts are in cost of sales.

While direct cloud hosting costs are still relatively small, the Group expects them to grow significantly as more products are deployed in and from the cloud. There should be a substitution effect in direct costs, with appliance depreciation and shipping costs growing less quickly as cloud costs increase. For hosted products, all hosting costs related to customer contracts are recognised in cost of sales in the periods incurred.

All compensation and related costs of providing both customer support and supplementary monitoring and response capabilities are included in cost of sales.

Sales and Marketing Costs:

Sales and marketing costs are the costs of expanding the market's recognition of Darktrace and its products, attracting new customers, and retaining existing customers. The largest component of sales and marketing costs are for employee compensation and related expenses, including salaries, sales commissions, bonuses, other benefits costs and share-based compensation charges.

Most sales commissions are paid in two instalments, the first when the sale is made and the second upon the earlier of payment for the entire contract value or after one year from the date of sale. For the first instalment, the Group capitalises sales commissions and the associated payroll taxes, and amortises them over the related contract term. As there are continued employment and customer service obligations required to receive the second instalment, these commissions are not eligible for capitalisation. The Group accrues them based on the expected twelve-month period between sale and payment and releases the accrual when the commission is paid.

Sales and marketing costs also includes the depreciation of appliances being used to deliver POVs to prospects. The Group's appliance pool is allocated between cost of sales and marketing, based on where the appliances in that pool are being used in each period. All appliance depreciation related to POV deployments are sales and marketing costs.

Other significant sales and marketing costs are for brand awareness advertising, lead generation activities including digital marketing programs and prospect events, and travel and entertainment expenses for sales meeting and marketing events. Additionally, sales and marketing does contain allocated overhead costs, primarily rents and other facilities costs that are allocated on employee count.

Administrative Expenses:

Research and Development Costs:

Research and development costs are the costs associated with the Group's efforts to develop new products for its platform, expand the features of its platform, and ensure the platform's continuing reliability, availability and scalability. These costs are primarily made up of the labour and related costs remaining after capitalisation of allowable labour and related development costs, and the amortisation of such costs capitalised in prior periods. Given the Group's rapid growth, for each of the periods presented, the value of costs being capitalised to the statements of financial position have been between two and three times the value of the amortisation of such costs capitalised in prior periods recorded as research and development costs in the statement of comprehensive income.

Additionally, research and development does contain allocated overhead costs, primarily rents and other facilities costs that are allocated on a per employee basis.

Other Administrative Expenses:

Other administrative expenses are the costs associated with the Group's management and operations functions, including for the executive finance, and legal functions, the customer success team, and for operations teams such as partner operations and shipping. The largest cost in this category is employee-related costs, including salaries and bonuses, share-based compensation charges and employee benefit costs. Other significant administrative expenses are for professional fees, typically for external legal, accounting and tax services. For the six months ended 31 December 2020, these professional fees increased significantly as the Group incurred material IPO readiness costs. These IPO readiness costs are expected to continue into the second half of the financial year ended 30 June 2021 and, at least in part, be replaced by public company costs in the financial year ended 30 June 2022.

Additionally, Other administrative expenses also contains allocated overhead costs, primarily rents and other facilities costs that are allocated on a per employee basis.

Credit Loss Charge:

Credit loss charge is the charge to the income statement related to movements in the expected credit loss provision for the Group's trade receivables.

Other Operating Income:

Other operating income consists of research and development tax credits received through programmes run by the government of the UK. Prior to 2019, the Group participated in HMRC's SME tax credit scheme, under which tax credits are not considered a taxable benefit. In 2019, the Group reached a size that required it to transition to HMRC's RDEC programme, which requires the recognition of these tax credits as taxable operating income.

Finance costs:

Finance costs have historically been bank charges for letters of credit and transactional items. However, for the six-months ended 31 December 2020, finance costs also included the non-cash costs associated with the CLNs issued by the Group in July 2020. These costs will be recognised until the redemption of the CLNs, which is expected to be upon the successful completion of the Global Offer. While costs related to the CLNs will substantially increase the Group's finance costs for the financial year ended 30 June 2021, these costs will be lower post-Admission.

Finance income:

Finance income is primarily interest generated from cash deposits that the Group has with banks.

Foreign exchange difference arising on presentational currency change:

The Foreign exchange difference arising on presentational currency change was, prior to the financial year ended 30 June 2019, the charge that arose from the Group having different functional and reporting currencies. As of 1 July 2019, the Group's functional and reporting currencies became the same, so this charge does not arise for results after this date.

6. GROUP RESULTS OF OPERATIONS

The table below sets forth the Group's results of operations for the periods presented:

	Six months ended 31 December		Financial Year ended 30 June		
	2020	2019	2020	2019	2018
	(audited)	(unaudited)	(in $'000)	(audited)	
Revenue	**126,514**	**91,076**	**199,076**	**137,017**	**79,415**
Cost of sales	(12,399)	(7,010)	(17,477)	(12,252)	(8,225)
Gross profit	**114,115**	**84,066**	**181,599**	**124,765**	**71,190**
Sales and marketing costs	(86,738)	(86,338)	(163,052)	(130,532)	(91,117)
Administrative expenses					
Research and development costs	(10,657)	(5,574)	(12,030)	(9,715)	(7,512)
Other administrative expenses	(21,500)	(13,954)	(26,887)	(20,247)	(12,587)
Credit loss charge	(423)	(103)	(5,344)	(1,326)	(587)
Other operating income	322	424	811	850	–
Operating loss	**(4,881)**	**(21,479)**	**(24,903)**	**(36,205)**	**(40,613)**
Finance costs	(43,044)	(1,164)	(2,405)	(2,224)	(1,262)
Finance income	59	453	382	937	250
Loss before taxation	**(47,866)**	**(22,190)**	**(26,926)**	**(37,492)**	**(41,625)**
Taxation	(545)	(580)	(1,746)	2,800	(869)
Net loss	**(48,411)**	**(22,770)**	**(28,672)**	**(34,692)**	**(42,494)**
Foreign exchange difference arising on presentational currency change	–	–	–	(1,708)	1,315
Total comprehensive loss	**(48,411)**	**(22,770)**	**(28,672)**	**(36,400)**	**(41,179)**

Six Months Ended 31 December 2020 and 2019

Revenue

Revenue increased by $35.4 million, or 38.9%, to $126.5 million for the six months ended 31 December 2020, as compared to $91.1 million for the six months ended 31 December 2019. This increase was primarily attributable to a 43% net increase in unique customers between 31 December 2019 and 31 December 2020.

Revenue accounted for by the United Kingdom decreased to 18.1% for the six months ended 31 December 2020 from 19.8% for the six months ended 31 December 2019. The revenue accounted for by Europe increased to 20.5% for the six months ended 31 December 2020 from 18.6% for the six months ended 31 December 2019. The revenue accounted for by the United States and Canada decreased to 39.4% for the six months ended 31 December 2020 from 41.5% for the six months ended 31 December 2019. The revenue accounted for by other regions increased to 22.0% for the six months ended 31 December 2020 from 20.1% for the six months ended 31 December 2019.

Cost of sales

Cost of sales increased by $5.4 million, or 76.9%, to $12.4 million for the six months ended 31 December 2020, as compared to $7.0 million for the six months ended 31 December 2019. This increase was primarily attributable to the cost of supporting the increase in total customer deployments between the two financial years. Cost of sales generally scaled in line with revenue growth, resulting in gross margins of 90.2% and 92.3% for the six-month ended 31 December 2020 and 2019 periods, respectively.

Sales and marketing costs

Sales and marketing costs increased by $0.4 million, or 0.5%, to $86.7 million for the six months ended 31 December 2020, as compared to $86.3 million for the six months ended 31 December 2019. This increase was primarily attributable to a 13.8% increase in headcount, largely sales personnel to drive customer acquisition, but also to a $1.7 million charge for share-based payment-related employer tax obligations that was required to be recorded when, by formally beginning the listing process, it became probable that the securities underlying certain option grants vested in prior periods would become readily convertible assets. Direct marketing expense for lead generation and to build brand and product recognition also increased between the periods. Aggregate Sales and marketing cost increases between the periods were offset by a decrease in travel costs related to governmental travel restrictions imposed due to the COVID-19 pandemic.

Research and development costs

Research and development costs increased by $5.1 million, or 91.2%, to $10.7 million for the six months ended 31 December 2020, as compared to $5.6 million for the six months ended 31 December 2019. This increase was attributable to both a $3.1 million charge for share-based payment-related employer tax obligations that was required to be recorded when, by formally beginning the listing process, it became probable that the securities underlying certain option grants vested in prior periods would become readily convertible assets, and a 35% increase in research and development staffing to enhance the Group's existing product offerings and to expand its new product development efforts.

Other administrative expenses

Other administrative expenses increased by $7.5 million, or 54.1%, to $21.5 million for the six months ended 31 December 2020, as compared to $14.0 million for the six months ended 31 December 2019. This increase was primarily attributable to a more than 100% increase in staffing, especially in the customer success and other operations teams to support the Group's growth, and the legal and finance teams to support the Group's growth and intended listing, but also to a $1.8 million charge for share-based payment-related employer tax obligations that was required to be recorded when, by formally beginning the listing process, it became probable that the securities underlying certain option grants vested in prior periods would become readily convertible assets. Professional fees also increased by $1.9 million between the periods, largely for work associated with preparing the Group to list and operate as a listed company.

Credit loss charge

Credit loss charge increased by $0.3 million to $0.4 million for the six-months ended 31 December 2020, as compared to $0.1 million for the six-months ended 31 December 2019. This increase was primarily attributable to the Group, in the 2020 financial year, adopting a more in-depth and conservative provision policy. It was also attributable to an increase in the Group's trade receivables and changes to the ageing profile of those receivables.

Finance costs

Finance costs increased by $41.9 million to $43.0 million for six months ended 31 December 2020, as compared to $1.2 million for the six months ended 31 December 2019. This increase was primarily attributable to interest and accretion costs arising from the convertible loan notes the Group issued in July 2020.

Finance income

Finance income decreased by $0.4 million to $0.1 million for the six months ended 31 December 2020, as compared to $0.5 million for the six months ended 31 December 2019. This decrease was primarily attributable to a reduction in interest rates and a more conservative cash holding strategy.

Tax (expense)/benefit

Tax (expense) was largely flat, remaining at $(0.5) million for the six months ended 31 December 2020, as compared to $(0.6) million for the six months ended 31 December 2019. Tax expense was primarily attributable to taxes due for a number of the Group's non-UK subsidiaries.

Financial Years ended 30 June 2020 and 2019

Revenue

Revenue increased by $62.1 million, or 45.3%, to $199.1 million for the financial year ended 30 June 2020, as compared to $137.0 million for the financial year ended 30 June 2019. This increase was primarily attributable to a 41% net increase in unique customers between 30 June 2019 and 30 June 2020.

Revenue accounted for by the United Kingdom increased to 19.2% for the financial year ended 30 June 2020 from 18.0% for the financial year ended 30 June 2019. The revenue accounted for by Europe remained constant at 19.1% for the financials years ended 30 June 2020 and 2019. The revenue accounted for by the United States and Canada increased to 40.8% for the financial year ended 30 June 2020 from 40.7% for the financial year ended

30 June 2019. The revenue accounted for by other regions decreased to 20.9% for the financial year ended 30 June 2020 from 22.2% for the financial year ended 30 June 2019.

Cost of sales

Cost of sales increased by $5.2 million, or 42.6%, to $17.5 million for the financial year ended 30 June 2020, as compared to $12.3 million for the financial year ended 30 June 2019. This increase was primarily attributable to the cost of supporting the increase in total customer deployments between the two financial years. Cost of sales scaled in line with revenue growth, resulting in gross margins of 91.2% and 91.1% for the 2020 and 2019 periods, respectively.

Sales and marketing costs

Sales and marketing costs increased by $33 million, or 24.9%, to $163.1 million for the financial year ended 30 June 2020, as compared to $130.5 million for the financial year ended 30 June 2019. This increase was primarily attributable a 36.5% increase in staffing, largely sales personnel to drive customer acquisition. Direct marketing expense for lead generation and to build brand and product recognition also increased between the periods. Aggregated Sales and marketing cost increases between the periods were partially offset by a decrease in travel costs in the Group's fourth quarter related to governmental travel restrictions imposed due to the COVID-19 pandemic.

Research and development costs

Research and development costs increased by $2.3 million, or 23.8%, to $12.0 million for the financial year ended 30 June 2020, as compared to $9.7 million for the financial year ended 30 June 2019. This increase was primarily attributable to a 21% increase in research and development staffing to enhance the Group's existing product offerings and to expand its new product development efforts.

Other administrative expenses

Other administrative expenses increased by $6.6 million, or 32.8%, to $26.9 million for the financial year ended 30 June 2020, as compared to $20.2 million for the financial year ended 30 June 2019. This increase was primarily attributable a 61.5% increase in staffing, especially in the customer success and other operations teams to support the Group's growth.

Credit loss charge

Credit loss charge increased by $4.0 million to $5.3 million for the financial year ended 30 June 2020, as compared to $1.3 million for the financial year ended 30 June 2019. This increase was primarily attributable to the Group, in the 2020 financial year, adopting a more in-depth and conservative provision policy. It was also attributable to an increase in the Group's trade receivables and changes to the ageing profile of those receivables.

Finance costs

Finance costs increased by $0.2 million to $2.4 million for the financial year ended 30 June 2020, as compared to $2.2 million for the financial year ended 30 June 2019. This increase was primarily attributable to an increase in the numbers of letters of credit and bank transactions incurring fees, reflecting the Group's growth.

Finance income

Finance income decreased by $0.6 million to $0.4 million for the financial year ended 30 June 2020, as compared to $0.9 million for the financial year ended 30 June 2019. This decrease was primarily attributable to a reduction in cash balances and a more conservative cash holding strategy.

Tax (expense)/benefit

Tax (expense)/benefit changed by $4.5 million to $(1.7) million for the financial year ended 30 June 2020, as compared to $2.8 million for the financial year ended 30 June 2019. Tax expense was primarily attributable to taxes due for a number of the Group's non-UK subsidiaries.

Financial Years ended 30 June 2019 and 2018

Revenue

Revenue increased by $57.6 million, or 72.5%, to $137.0 million for the financial year ended 30 June 2019, as compared to $79.4 million for the financial year ended 30 June 2018. This increase was primarily attributable to a 65% net increase in unique customers between 30 June 2018 and 30 June 2019.

Revenue accounted for by the United Kingdom decreased to 18.0% for the financial year ended 30 June 2019 from 29.9% for the financial year ended 30 June 2018. The revenue accounted for by Europe increased to 19.1% for the financial year ended 30 June 2019 from 13.5% for the financial year ended 30 June 2018. The revenue accounted for by the United States and Canada increased to 40.7% for the financial year ended 30 June 2019 from 38.9% for the financial year ended 30 June 2018. The revenue accounted for by other regions increased to 22.2% for the financial year ended 30 June 2019 from 17.7% for the financial year ended 30 June 2018.

Cost of sales

Cost of sales increased by $4.1 million, or 49.0%, to $12.3 million for the financial year ended 30 June 2019, as compared to $8.2 million for the financial year ended 30 June 2018. This increase was primarily attributable to the cost of supporting the increase in total customer deployments between the two financial years. Cost of sales generally scaled in line with revenue growth, resulting in gross margins of 91.1% and 89.6% for the 2019 and 2018 periods, respectively.

Sales and marketing costs

Sales and marketing costs increased by $39.4 million, or 43.3%, to $130.5 million for the financial year ended 30 June 2019, as compared to $91.1 million for the financial year ended 30 June 2018. This increase was primarily attributable to a 44.4% increase in staffing, largely sales personnel to drive customer acquisition. Direct marketing expense for lead generation and to build brand and product recognition, as well as sales and marketing event-related travel and entertainment also increased during the period.

Research and development costs

Research and development costs increased by $2.2 million, or 29.3%, to $9.7 million for the financial year ended 30 June 2019, as compared to $7.5 million for the financial year ended 30 June 2018. This increase was primarily attributable to a 13% increase in research and development staffing to enhance the Group's existing product offerings and to expand its new product development efforts.

Other administrative expenses

Other administrative expenses increased by $7.7 million, or 60.9%, to $20.2 million for the financial year ended 30 June 2019, as compared to $12.6 million for the financial year ended 30 June 2018. This increase was primarily attributable to a 45% increase in staffing, especially in the customer success and other operations teams to support the Group's growth.

Credit loss charge

Credit loss charge increased by $0.7 million to $1.3 million for the financial year ended 30 June 2019, as compared to $0.6 million for the financial year ended 30 June 2018. This increase was primarily attributable to an increase in the Group's trade receivables and changes to the ageing profile of those receivables.

Other operating income

Other operating income increased by $0.9 million to $0.9 million for the financial year ended 30 June 2019, as compared to nil for the financial year ended 30 June 2018. This increase was attributable to the start of Darktrace's participation in an HMRC tax credit scheme that requires these tax credits to be recognised as taxable income.

Finance costs

Finance costs increased by $1.0 million, or 76.2%, to $2.2 million for the financial year ended 30 June 2019, as compared to $1.3 million for the financial year ended 30 June 2018. This increase was primarily attributable to an increase in the numbers of letters of credit and bank transactions incurring fees, reflecting the Group's growth.

Finance income

Finance income increased by $0.7 million, or 274.8%, to $0.9 million for the financial year ended 30 June 2019, as compared to $0.3 million for the financial year ended 30 June 2018. This increase was primarily attributable to an increase in average cash balances between the periods.

Tax (expense)/income

Tax (expense)/benefit changed by $3.7 million, $2.8 million for the financial year ended 30 June 2019, as compared to $(0.9) million for the financial year ended 30 June 2018. This change was primarily attributable to the Group claiming retroactive tax credits for prior year periods in 2019 that more than offset 2019 tax expense. Tax expense was primarily attributable to taxes due for a number of the Group's non-UK subsidiaries.

7. GROUP LIQUIDITY AND CAPITAL RESOURCES

Capital Expenditures

The Group has no material capital commitments.

Cash Flows

The following table shows the major components of the Group's cash flows for the periods presented:

	Six months ended 31 December		Financial Year ended 30 June		
	2020	**2019**	**2020**	**2019**	**2018**
		(unaudited)	**(in $'000)**		
Net cash flows (used in) / from operating activities	25,283	(3,337)	19,380	18,755	(16,685)
Net cash (used in)/from investing activities	(8,551)	(11,390)	(22,795)	(26,790)	(18,171)
Net cash (used in)/from financing activities	31,946	(3,146)	(6,784)	43,508	43,412
Net increase/(decrease) in cash and cash equivalents	48,677	(17,872)	(10,199)	35,475	8,558

Six Months Ended 31 December 2020 and 2019

Cash and cash equivalents were $103.9 million at 31 December 2020, an increase of $48.7 million (exclusive of a $1.3 million net exchange difference on cash held) over the six months ended 31 December 2020, and an increase of $57.3 million compared to cash and cash equivalents of $46.6 million at 31 December 2019.

Net cash flows (used in)/from operating activities

Net cash flows (used in) or from operating activities were $25.3 million for the six months ended 31 December 2020, as compared to $(3.3) million for the six months ended 31 December 2019. This difference was attributable to a $16.0 million improvement in net loss adjusted to exclude $41.7 million in non-cash financing costs associated with the CLN. This improvement was partially driven by a decrease in travel costs in the Group's fourth quarter related to governmental travel restrictions imposed due to the COVID-19 pandemic. The difference was also attributable to timing of working capital movements between the periods, the most significant of these being a $16.4 million increase in deferred revenue, offset by a $9.3 million increase in trade receivables.

Net cash flows (used in)/from investing activities

Net cash flows from investing activities were $(8.6) million for the six months ended 31 December 2020, as compared to $(11.4) million for the six months ended 31 December 2020. This difference between the periods was primarily attributable to a decrease of $4.4 million in property, plant and equipment purchases, offset by an additional $1.1 million in capitalised research and development costs.

Net cash flows (used in)/from financing activities

Net cash flows (used in) or from financing activities were $31.9 million for the six months ended 31 December 2020, as compared to $(3.1) million for the six months ended 31 December 2019. This difference was primarily attributable to the $35.8 million of proceeds from the issue of CLN retained by the Group after funding the repurchase of shares, offset by small differences in repayment of leases and other items.

Financial Years ended 30 June 2020 and 2019

Cash and cash equivalents were $54.0 million at 30 June 2020, a decrease of $(10.5) million (exclusive of a $(0.3) million net exchange difference on cash held) compared to cash and cash equivalents of $64.4 million at 31 December 2019.

Net cash flows (used in)/from operating activities

Net cash flows from operating activities were $19.4 million for the financial year ended 30 June 2020, as compared to $18.8 million for the financial year ended 30 June 2019. This difference was attributable to a $6.0 million improvement in net loss as well as to timing of working capital movements between the periods, the most significant of these being a $15.8 million increase in trade receivables and the receipt of $4.3 million in tax credits related to prior periods.

Net cash flows (used in)/from investing activities

Net cash flows used in investing activities were $(22.8) million for the financial year ended 30 June 2020, as compared to $(26.8) million for the financial year ended 30 June 2019. This difference between the periods was primarily attributable to a decrease of $4.7 million in property, plant and equipment purchases in the financial year 2020.

Net cash flows (used in)/from financing activities

Net cash flows (used in) or from financing activities was $(6.8) million for the financial year ended 30 June 2020, as compared to $43.5 million for the financial year ended 30 June 2019. This decrease was primarily attributable to the fact that the Group did not do a fundraising in the financial 2020 period so proceeds from share issues were $50.0 million lower in that period.

Financial Years ended 30 June 2019 and 2018

Cash and cash equivalents were $64.4 million at 30 June 2019, an increase of $35.2 million (exclusive of a $(0.2) million net exchange difference on cash held) compared to cash and cash equivalents of $29.2 million at 31 December 2019.

Net cash flows (used in)/from operating activities

Net cash flows (used in) or from operating activities were $18.8 million for the financial year ended 30 June 2019, as compared to $(16.7) million for the financial year ended 30 June 2018. This difference was attributable to a $7.8 million improvement in net loss as well as to timing of working capital movements between the periods, the most significant of these being increases of $6.6 million and $3.4 million in depreciation and capitalised sales commission, respectively.

Net cash flows (used in)/from investing activities

Net cash flows (used in) investing activities were $(26.8) million for the financial year ended 30 June 2020, as compared to $(18.2) million for the financial year ended 30 June 2019. This difference between the periods was primarily attributable to an increase of $8.6 million in property, plant and equipment purchases in the financial year 2019.

Net cash flows (used in)/from financing activities

Net cash flows (used in) or from financing activities was $43.5 million for the financial year ended 30 June 2019, as compared to $43.4 million for the financial year ended 30 June 2019, with the Group having done similar levels of fundraising in both periods.

8. BORROWINGS

As at 31 December 2020, the Group had no current borrowings and non-current borrowings of $205.5 million. The table below sets forth the Group's total borrowings as at 31 December 2020.

	31 December 2020
	(in $'000)
Convertible Loan Notes, host contract	98,577
Convertible Loan Notes, embedded derivative	106,895
Total	**205,472**

In July 2020, the Group issued CLNs to certain existing shareholders in exchange for cash consideration of \$163 million. Pursuant to the Reorganisation, the CLNs will be converted to equity immediately before Admission and the Group will incur no further borrowing costs in connection with the CLNs in respect of the period after Admission. Accordingly, the Group's indebtedness and its finance costs will be lower post-Admission.

Redemption of the CLNs may occur by any of the following four means:

1. a trade sale of the business (either for cash or equity),
2. conversion to equity if the Group issues additional shares,
3. conversion to equity if the Group makes an initial public offering, or
4. redemption in cash no later than June 2024 if none of the above mechanisms have been triggered.

If the CLNs are converted to equity, the accrued liability due to the holder at that point will be grossed up by a discount specified in the terms of the CLNs. If redemption occurs prior to 30 June 2021, this discount will be 35%. The amount of the discount increases by 1% per month up to a maximum of 55%. The equity conversion and early settlement features included in the CLNs terms constitute an embedded derivative based on the definition set out in IFRS 9.

The principal and interest components of the CLNs do not meet the criteria for recognition as equity and the CLNs are recognised as a financial liability.

The equity conversion and early settlement features included in the CLNs' terms constitute an embedded derivative and therefore the CLNs are treated as a hybrid instrument.

For a summary of, and additional information regarding, the CLNs, please see note 22 of Part 9: "*Historical Financial Information*" of this Registration Document.

9. CONTRACTUAL COMMITMENTS

The following are the Group's contractual maturities of financial liabilities as at 31 December 2020 at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments.

	Payments due by period				
	Less than 1 year	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
			(in \$'000)		
Financial liabilities(1)					
Lease liabilities	7,951	7,592	18,753	16,157	**50,453**
Trade and other payables	10,709	–	–	–	**10,709**
Total	**18,660**	**7,592**	**18,753**	**16,157**	**61,162**

Notes:

(1) The CLNs have been excluded as there is an expectation that there will be a conversion into equity prior to Admission. See "*—Borrowings*."

The Group leases various offices and equipment under non-cancellable operating and finance lease agreements.

10. OFF-BALANCE SHEET ITEMS

The Group does not have any material off-balance sheet items.

11. POST-BALANCE SHEET EVENTS

On 14 January 2021, the Group entered into an agreement with Silicon Valley Bank to provide a \$25 million revolving credit facility for a term of two years.

12. SIGNIFICANT ACCOUNTING POLICIES

For a summary of, and additional information regarding, the Group's significant accounting policies, please see note 2 of Part 9: "*Historical Financial Information*" of this Registration Statement.

13. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The principal categories of financial risk to which the Group is exposed are market risk, including foreign exchange risk, interest rate risk and price risk, credit risk and liquidity risk. For a summary of, and additional information regarding, the Group's financial risk management, please see note 5 of Part 9: "*Historical Financial Information*" of this Registration Statement.

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For a summary of, and additional information regarding, the Group's critical accounting estimates and judgments, please see note 4 of Part 9: "*Historical Financial Information*" of this Registration Statement.

15. RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of, and additional information regarding, new and amended accounting standards adopted by the Group and new standards and interpretations not yet adopted by the Group, please see note 2 of Part 9: "*Historical Financial Information*" of this Registration Statement.

Part 9

HISTORICAL FINANCIAL INFORMATION

SECTION A—ACCOUNTANT'S REPORT RELATING TO HISTORICAL FINANCIAL INFORMATION

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The Directors
Darktrace plc
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Cowley Road
Cambridge
CB4 0DS

12 April 2021

Dear Sir/Madam

Darktrace Holdings Limited (the Company) and its Subsidiary Undertakings (Together, the Group) – Accountant's Report on Historical Financial Information

We report on the Group historical financial information set out in Section B of Part 9 of Darktrace plc's registration document dated 12 April 2021 (the **Registration Document**), for each of the three years ended 30 June 2020 and the six month period ended 31 December 2020 (the **Historical Financial Information**).

We have not audited or reviewed the financial information for the six month period ended 31 December 2019, which has been included in the Historical Financial Information for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Registration Document, a true and fair view of the state of affairs of the Group as at each of 30 June 2018, 30 June 2019, 30 June 2020 and 31 December 2020 and of its results, cash flows and changes in equity for each of the years ended 30 June 2018, 30 June 2019, 30 June 2020 and for the six months ended 31 December 2020 in accordance with International Financial Reporting Standards adopted by the European Union.

Responsibilities

The directors of Darktrace plc are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Save for any responsibility that may arise under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 1 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**), consenting to its inclusion in the Registration Document.

Basis of preparation

The Historical Financial Information has been prepared for inclusion in the Registration Document on the basis of the accounting policies set out in notes 2 and 3 to the Historical Financial Information.

This report is required by Item 18.3.1 of Annex 1 of the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with relevant ethical requirements, which in the United Kingdom is the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report.

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 Group's ability to continue as a going concern for a period of at least twelve months from the date of the Registration Document for which the Historical Financial Information and this report were prepared.

In forming our opinion on the Historical Financial Information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Historical Financial Information is appropriate.

Declaration

For the purposes of Item 1.2 of Annex 1 of the PR Regulation we are responsible for this report as part of the Registration Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Registration Document in compliance with Item 1.2 of Annex 1 of the PR Regulation.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B—HISTORICAL FINANCIAL INFORMATION

Consolidated statement of comprehensive income

		For the 6 months ended		For the year ended		
		31-Dec-20	**31-Dec-19 Unaudited**	**30-Jun-20**	**30-Jun-19**	**30-Jun-18**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	8	126,514	91,076	199,076	137,017	79,415
Cost of sales		(12,399)	(7,010)	(17,477)	(12,252)	(8,225)
Gross profit		**114,115**	**84,066**	**181,599**	**124,765**	**71,190**
Sales and marketing costs		(86,738)	(86,338)	(163,052)	(130,532)	(91,117)
Administrative expenses						
Research and development costs		(10,657)	(5,574)	(12,030)	(9,715)	(7,512)
Other administrative expenses		(21,500)	(13,954)	(26,887)	(20,247)	(12,587)
Credit loss charge	11	(423)	(103)	(5,344)	(1,326)	(587)
Other operating income	9	322	424	811	850	–
Operating loss		**(4,881)**	**(21,479)**	**(24,903)**	**(36,205)**	**(40,613)**
Finance costs	10	(43,044)	(1,164)	(2,405)	(2,224)	(1,262)
Finance income	10	59	453	382	937	250
Loss before taxation	11	**(47,866)**	**(22,190)**	**(26,926)**	**(37,492)**	**(41,625)**
Taxation	13	(545)	(580)	(1,746)	2,800	(869)
Net loss		**(48,411)**	**(22,770)**	**(28,672)**	**(34,692)**	**(42,494)**
Other comprehensive (loss)/income						
Items that are, or may be, subsequently reclassified to profit or loss:						
Foreign exchange difference arising on consolidation		–	–	–	(1,708)	1,315
Total comprehensive loss		**(48,411)**	**(22,770)**	**(28,672)**	**(36,400)**	**(41,179)**
Earnings per share						
Basic loss per share	15	**$(24.69)**	**$(11.10)**	**$(13.49)**	**$(16.49)**	**$(19.32)**
Diluted loss per share	15	**$(24.69)**	**$(11.10)**	**$(13.49)**	**$(16.49)**	**$(19.32)**

All of the results for the periods presented are attributable to equity holders of Darktrace Holdings Limited.

Consolidated statement of financial position

	Notes	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
		$'000	$'000	$'000	$'000	$'000
Non-current assets						
Intangible assets	16	8,563	5,734	6,049	4,690	3,139
Property, plant and equipment ("PPE")	17	48,322	48,180	49,462	42,882	30,066
Right of use ("ROU") assets	18	32,530	25,150	31,411	27,353	15,205
Capitalised commission	19	16,256	11,738	14,659	9,438	5,225
Deposits		5,154	5,286	4,895	5,040	3,726
		110,825	96,088	106,476	89,403	57,361
Current assets						
Trade and other receivables	20	69,005	52,261	60,363	39,867	38,097
Capitalised commission	19	12,302	9,237	10,890	7,915	4,497
Tax receivable		1,292	1,221	1,267	4,845	–
Cash and cash equivalents	21	103,912	46,568	53,944	64,443	29,178
		186,511	109,287	126,464	117,070	71,772
Total assets		**297,336**	**205,375**	**232,940**	**206,473**	**129,133**
Current liabilities						
Deferred revenue	8	(108,736)	(81,615)	(96,769)	(72,552)	(42,881)
Lease liabilities	18	(5,233)	(5,347)	(4,903)	(4,438)	(2,197)
Tax payable		–	–	(508)	(257)	(378)
Trade and other payables	24	(59,797)	(45,030)	(50,482)	(37,635)	(25,516)
		(173,766)	(131,992)	(152,662)	(114,882)	(70,972)
Non-current liabilities						
Convertible loan, host contract . . .	22	(98,577)	–	–	–	–
Convertible loan, embedded derivative	22	(106,895)	–	–	–	–
Deferred revenue	8	(30,216)	(24,629)	(25,779)	(22,702)	(21,582)
Lease liabilities	18	(33,478)	(24,457)	(30,643)	(26,857)	(14,995)
		(269,166)	(49,086)	(56,422)	(49,559)	(36,577)
Total liabilities		**(442,932)**	**(181,078)**	**(209,084)**	**(164,441)**	**(107,549)**
Net (liabilities)/assets		**(145,596)**	**24,297**	**23,856**	**42,032**	**21,584**
Equity						
Share capital	27	27	27	29	33	31
Share premium	27	43,553	170,367	170,402	181,621	131,533
Capital contribution	27	–	–	–	–	–
Stock compensation reserve	26	26,678	15,444	20,868	10,828	4,070
Foreign currency translation reserve		(4,398)	(4,398)	(4,398)	(4,398)	(2,690)
Retained earnings		(211,456)	(157,143)	(163,045)	(146,052)	(111,360)
Total equity		**(145,596)**	**24,297**	**23,856**	**42,032**	**21,584**

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Foreign currency translation reserve	Capital contribution	Stock compensation reserve	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2019		**33**	**181,621**	**(4,398)**	**–**	**10,828**	**(146,052)**	**42,032**
Effect of change in functional currency . .		(6)	(11,357)		–	(316)	11,679	–
Balance at 1 July 2019		**27**	**170,264**	**(4,398)**	**–**	**10,512**	**(134,373)**	**42,032**
Net loss		–	–	–	–	–	(22,770)	(22,770)
Other comprehensive (loss)/income		–	–	–	–	–	–	–
Total comprehensive loss		–	–	–	–	–	**(22,770)**	**(22,770)**
Shares issued	27	–	103	–	–	–	–	103
Credit to equity for share based compensation charge	26	–	–	–	–	4,932	–	4,932
Transactions with shareholders		–	**103**	**–**	**–**	**4,932**	**–**	**5,035**
Balance at 31 December 2019, unaudited		**27**	**170,367**	**(4,398)**	**–**	**15,444**	**(157,143)**	**24,297**
Balance at 1 July 2020		**29**	**170,402**	**(4,398)**	**–**	**20,868**	**(163,045)**	**23,856**
Total comprehensive loss:								
Net loss		–	–	–	–	–	(48,411)	(48,411)
Other comprehensive (loss)/income		–	–	–	–	–	–	–
Total comprehensive loss		–	**–**	**–**	**–**	**–**	**(48,411)**	**(48,411)**
Shares issued	27	–	212	–	–	–	–	212
Share repurchase and cancellation		(2)	(127,061)	–	–	–	–	(127,063)
Credit to equity for share based compensation charge	26	–	–	–	–	5,810	–	5,810
Transactions with shareholders		**(2)**	**(126,849)**	**–**	**–**	**5,810**	**–**	**(121,041)**
Balance at 31 December 2020 . .		**27**	**43,553**	**(4,398)**	**–**	**26,678**	**(211,456)**	**(145,596)**

	Notes	Share capital	Share premium	Foreign currency translation reserve	Capital contribution	Stock compensation reserve	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017		30	81,783	(4,005)	2,954	1,784	(71,820)	10,726
Total comprehensive loss:								
Net Loss		–	–	–	–	–	(42,494)	(42,494)
Other comprehensive loss:								
Foreign exchange difference arising on translation to presentation currency		–	–	1,315	–	–	–	1,315
Total comprehensive loss		–	–	1,315	–	–	(42,494)	**(41,179)**
Reserve's transfer		–	–	–	(2,954)	–	2,954	–
Shares issued	27	1	49,750	–	–	–	–	49,751
Credit to equity for share based compensation charge	26	–	–	–	–	2,286	–	2,286
Transactions with shareholders		1	49,750	–	(2,954)	2,286	2,954	52,037
Balance at 30 June 2018		**31**	**131,533**	**(2,690)**	**–**	**4,070**	**(111,360)**	**21,584**
Total comprehensive loss:								
Net Loss		–	–	–	–	–	(34,692)	(34,692)
Other comprehensive loss:								
Foreign exchange difference arising on translation to presentation currency		–	–	(1,708)	–	–	–	(1,708)
Total comprehensive loss		–	–	(1,708)	–		(34,692)	(36,400)
Shares issued	27	2	50,088	–	–	–	–	50,090
Credit to equity for share based compensation charge	26	–	–	–	–	6,758	–	6,758
Transactions with shareholders		2	50,088	–	–	6,758	–	56,848
Balance at 30 June 2019		**33**	**181,621**	**(4,398)**	**–**	**10,828**	**(146,052)**	**42,032**

	Notes	Share capital	Share premium	Foreign currency translation reserve	Capital contribution	Stock compensation reserve	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2019		**33**	**181,621**	**(4,398)**	**–**	**10,828**	**(146,052)**	**42,032**
Effect of change in functional currency . .		(6)	(11,357)		–	(316)	11,679	–
Balance at 1 July 2019		**27**	**170,264**	**(4,398)**	**–**	**10,512**	**(134,373)**	**42,032**
Total comprehensive loss:								
Net Loss		–	–	–	–	–	(28,672)	(28,672)
Other comprehensive loss		–	–	–	–	–	–	–
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**(28,672)**	**(28,672)**
Shares issued	27	2	138	–	–	–	–	140
Credit to equity for share based compensation charge .	26	–	–	–	–	10,356	–	10,356
Transactions with shareholders		**2**	**138**	**–**	**–**	**10,356**	**–**	**10,496**
Balance at 30 June 2020		**29**	**170,402**	**(4,398)**	**–**	**20,868**	**(163,045)**	**23,856**

Consolidated statement of cash flows

		For the 6 months ended		For the year ended		
		31-Dec-20	31-Dec-19 unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	Note	$'000	$'000	$'000	$'000	$'000
Cash generated from operations						
Loss for the period		(48,411)	(22,770)	(28,672)	(34,692)	(42,494)
Adjustments for:						
Depreciation of property, plant and equipment (PPE) and RoU asset	17,18	11,795	9,599	21,055	15,993	9,367
Amortisation of intangible assets	16	949	276	1,429	890	875
Amortisation of capitalised commission	19	6,405	4,801	10,441	7,092	3,703
Impairment loss on PPE	17	90	–	–	–	–
Loss/(Profit) on disposal of PPE		244	71	376	681	93
Foreign exchange differences		(1,176)	152	(148)	(2,665)	572
Credit loss charge	11	423	103	5,344	1,326	587
Share based compensation charge	26	5,810	4,932	10,356	6,758	2,286
Finance costs	10	1,382	1,164	2,405	2,224	1,262
Charge for convertible loan (host contract)	10,22	14,302	–	–	–	–
Charge for convertible loan (embedded derivative)	10,22	27,360	–	–	–	–
Finance income	10	(59)	(453)	(382)	(937)	(250)
Other operating income	9	(322)	(424)	(811)	(850)	–
Taxation	13	545	580	1,746	(2,800)	869
Operating cash flows before movements in working capital		**19,337**	**(1,969)**	**23,139**	**(6,980)**	**(23,130)**
Increase in trade and other receivables	20	(7,248)	(12,245)	(25,641)	(5,678)	(27,304)
Increase in capitalised commission	19	(9,414)	(8,850)	(19,064)	(14,915)	(9,224)
Increase in trade and other payables	24	6,960	5,526	10,758	13,302	11,289
Increase in deferred revenue	8	16,404	10,990	27,294	34,455	32,331
Net cash flows from operating activities before tax		**26,039**	**(6,548)**	**16,486**	**20,184**	**(16,038)**
Tax received/(paid)		(756)	3,211	2,894	(1,429)	(647)
Net cash flow from operating activities		**25,283**	**(3,337)**	**19,380**	**18,755**	**(16,685)**
Cash flows from investing activities						
Development costs capitalised	16	(2,473)	(1,320)	(2,788)	(2,621)	(1,945)
Purchase of property, plant and equipment	17	(6,137)	(10,523)	(20,389)	(25,106)	(16,476)
Finance income	10	59	453	382	937	250
Net cash flow from investing activities		**(8,551)**	**(11,390)**	**(22,795)**	**(26,790)**	**(18,171)**

		For the 6 months ended		For the year ended		
		31-Dec-20	31-Dec-19 unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	Note	$'000	$'000	$'000	$'000	$'000
Financing activities						
Proceeds from share issues	27	212	103	140	50,090	49,750
Repurchase of shares	27	(127,063)	–	–	–	–
Proceeds from convertible loan/ borrowings	28	162,821	–	–	–	–
Repayment to shareholder (net)		–	–	–	(1,411)	(3,788)
Repayment of lease liabilities	18	(2,642)	(2,085)	(4,519)	(2,947)	(1,288)
Payment of interest on lease liabilities	18	(1,382)	(1,164)	(2,405)	(2,224)	(1,262)
Net cash flow from financing activities		**31,946**	**(3,146)**	**(6,784)**	**43,508**	**43,412**
Net increase/(decrease) in cash and cash equivalents		48,678	(17,873)	(10,199)	35,473	8,556
Cash and cash equivalents at the beginning of period	21	53,944	64,443	64,443	29,178	19,623
Exchange difference on cash held (net)		1,290	(2)	(300)	(208)	999
Cash and cash equivalents at the end of period	21	**103,912**	**46,568**	**53,944**	**64,443**	**29,178**

Notes to the historical financial information

1. General information

Darktrace Holdings Limited (the "Company") is incorporated, domiciled and registered in England. The registered number is 08562035 and the registered address is Maurice Wilkes Building, St John's Innovation Park, Cowley Road, Cambridge CB4 0DS. The Company and its subsidiaries (the "Group") is headquartered in Cambridge, UK. The Group is a leading provider of cyber security solutions and is at the forefront of deploying autonomous self-learning technology through its AI immune system approach.

2. Basis of preparation

The Historical Financial Information comprises the audited consolidated statements of comprehensive income, financial position, changes in equity, cash flows and notes of the Group for the years ended 30 June 2020, 30 June 2019, 30 June 2018 and the six months ended 31 December 2020, and 31 December 2019 (unaudited).

The Historical Financial Information has been prepared specifically for the purposes of the Registration Document, in accordance with the requirements of the UK version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value. The policies adopted are those to be applied in the next statutory financial statements for the year ending 30 June 2021.

The policies set out below have been applied consistently throughout all periods presented.

The Historical Financial Information is presented in U.S. Dollars ("USD"), which is the current functional and presentational currency for year ended 30 June 2020 and the six months ended 31 December 2020 and 31 December 2019. For the years ended 30 June 2018 and 30 June 2019 the functional currency was British Pound Sterling ("GBP"). All values presented are in thousands ($'000), except where otherwise indicated.

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Consolidated financial statements for years ended 30 June 2020, 30 June 2019 and 30 June 2018 have been filed with the Registrar of Companies. Respective relevant audit reports for the years ending 30 June 2020, 30 June 2019 and 30 June 2018, previously filed, were unmodified.

New and amended standards adopted by the Group

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 July 2019. All of the below were applied fully retrospectively to this Historical Financial Information and periods that impact this Historical Financial Information:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Uncertainty over Income Tax Treatments – IFRIC 23

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018. All of the below were applied fully retrospectively to the periods that impact this Historical Financial Information:

- Revenue from contracts with customers – IFRS 15
- Leases – IFRS 16
- Financial instruments – IFRS 9

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group for future reporting periods or foreseeable future transactions:

- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9. These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023. For annual periods beginning on or after 1 January 2021.
- Amendments to IAS 1, Presentation of financial statements on classification of liabilities: for annual periods beginning on or after 1 January 2021. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. For annual periods beginning on or after 1 January 2022.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of Property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in the statement of comprehensive income. For annual periods beginning on or after 1 January 2022.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. For annual periods beginning on or after 1 January 2022.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. For annual periods beginning on or after 1 January 2022.
- IFRS 17, 'Insurance contracts'; This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. For annual periods beginning on or after 1 January 2022.

Going concern

The Historical Financial Information has been prepared on a going concern basis. The Directors have formed the view that the Group will generate sufficient cash to meet its ongoing requirements for at least 12 months from the date of approval of the Historical Financial Information. Accordingly, the going concern basis has been adopted. At 31 December 2020, the Group had over $104 million in cash and equivalents on its statement of financial position, sufficient to support the business for at least the next 12 months. Further, in January 2021, the Company secured a $25 million revolving credit facility with Silicon Valley Bank, the primary purpose of which is to secure letters of credit for office leases.

The Group has continued to trade successfully throughout the COVID-19 pandemic and has seen its revenue grow alongside expanding customer and employee numbers. This demonstrates the resilience of the Group in the face of severe economic pressures on the wider global economy. Management continues to take appropriate action to monitor, identify, address and mitigate the major uncertainties facing the business arising from the ongoing impact of COVID-19. From the start of the pandemic, management took the decision that most staff should work from home or, where necessary, in workspaces that have been equipped for appropriate social distancing and other measures. Travel and entertainment has been severely reduced and marketing events have, in most instances, become virtual. The Group has continued to operate effectively in this environment as demonstrated by results for the six months ended 31 December 2020, which saw customer numbers increase to over 4,600 from over 3,800 at 30 June 2020. The Group has also increased its employees to over 1,300 at 31 December 2020, from over 1,100 at 30 June 2020, further expanding its capacity to grow its customer base and revenues in the future.

The Group has considered the impact of Brexit and has developed appropriate contingency plans including the establishment of its subsidiary, Darktrace Ireland Limited. Due to the global nature of the business and its historically proven ability to respond quickly to operational challenges, the risk to the Group is expected to be minimal and has proven to be so in the first months of 2021.

Basis of consolidation

The Historical Financial Information presents the results of the Company and its subsidiaries as the Group. Intercompany transactions and balances between the Company and its subsidiaries are therefore eliminated in full.

Subsidiaries are entities over which the Company is exposed or has rights to variable returns from its involvement with the subsidiary, and it can affect those returns through its power over the subsidiary. The Company can direct decisions through its ownership and, if applicable, voting rights. To date, all the Company's subsidiaries have been created by, rather than acquired by, the Company, and no subsidiaries have been closed or otherwise disposed of. Were subsidiaries to be acquired during the year, the profit or loss attributable to shareholders would include the profit or loss of the subsidiary from the date of acquisition. Were subsidiaries to be disposed of during the year, the profit or loss attributable to shareholders would include the profit or loss of the subsidiary to the date of disposal.

3. Summary of significant accounting policies

Segment reporting

The Group has concluded that it operates in one business segment as defined by IFRS 8: Operating Segments being the development and sale of cyber-threat defence technology. The Chief Operating Decision Makers (the "CODMs"), which include the Executive Directors and other Senior Managers, make operating decisions for a single operating unit and operating performance is assessed as a single operating segment. The information used by the CODMs is consistent with, and prepared on the same basis as, that presented in the Historical Financial Information. Further, there are no separately identifiable assets attributable to any separate business activity or business unit.

Revenue recognition

All revenue contracts are entered into with the Company so subsidiaries do not have customer contract revenue for Group revenue recognition. Subsidiary revenue is solely the result of cost plus-based transfer pricing transactions with the Company, which are eliminated on consolidation.

The Group does not recognise any revenue until there is a legally binding contract in place with a customer or partner acting on behalf of a customer, the commencement date of that agreement has passed, and the obligations to fulfil that contract have been met. It applies the IFRS 15 principles-based, five step model to all contracts as follows:

- identify the contract with the customer,
- identify the distinct performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis, and
- recognise revenue when the entity satisfies its performance obligations.

The Group has only a single performance obligation, that being to deliver interrelated Cyber Security software and related services to its customers (see note 4). As such the transaction price is the total amount charged to the Customer over the service period.

Most of the Group's revenue is derived from multi-period subscription or licence contracts. This revenue is recognised on a straight-line basis over the subscription or license period, with the customer simultaneously receiving and consuming the benefits of the products it purchased within the Group's Cyber AI Platform as the Group performs them. The Group's efforts are expended evenly throughout the performance period and therefore, using the input method under IFRS 15, it is appropriate to recognise revenue on a straight-line basis. The Group does not have any variable pricing as defined under IFRS 15.

In a very small number of cases, the Group sells supplementary training or extra appliances separately from its software product deployments, but always to customers who have software product deployments. The revenue from these contracts is recognised when the training or appliance is delivered.

The Group deploys a significant portion of its software on appliances that it delivers to the customer. These appliances are encrypted devices that can only be used to run the Group's software. They cannot be used for any other purpose so have no separate value to the customer, and as the Group retrieves its appliances at the end of deployments, each appliance may be redeployed multiple times, in multiple situations, over its useful life. The Group considers that the appliances it deploys are an integral part of delivering software to the customer and therefore, unless an appliance is sold separately, appliance deployments are recognised as part of the single performance obligation not as separate performance obligations.

No element of financing is deemed present as sales are typically made on credit terms of 30-60 days, which is consistent with market practice. Customers are billed in advance, also consistent with market practice.

For further information around critical judgement in revenue recognition and consideration of the single performance obligation see note 4.

Cost of sales

Cost of sales is made up of two primary cost categories: the cost of software deployment and labour costs for support or supplemental monitoring and response services.

The largest of the deployment costs is depreciation on appliances used to deliver the software to customers under contracts. As these appliances are deployed, retrieved and redeployed many times over their useful lives, the Group maintains ownership of these appliances, and holds them as Property, plant and equipment (see Property, plant and equipment for additional detail). The depreciation of appliances is apportioned to Cost of sales based on the proportion of the Group's appliance pool deployed to customer sites and all appliance depreciation related to customer contracts is recognised in Cost of sales. Where the Group deploys software to a contracted customer virtually, the associated hosting costs are also recognised in Cost of sales. Cost of sales also includes shipping costs and other costs necessary to deploy the Group's software products.

Where the Group provides support or supplemental monitoring and response services, this work is tracked and the relevant compensation costs allocated to Cost of sales.

Operating cost apportionment

Wherever possible, operating costs are attributed to either Sales and marketing, Research and development or Other administrative expenses by the direct method. When costs apply to more than one cost category, they are apportioned using an allocation methodology based on the most appropriate direct data source.

The Group apportions the depreciation of appliances used to run Proof of Value ("POV") demonstrations for prospects (see Note 17 for additional detail) to Sales and marketing. Similarly, for POVs of virtually deployed products, the associated hosting costs are recognised as Sales and marketing costs. Also, pre-sales support staff, whose costs are primarily attributed to Sales and marketing, may also perform post-sales support functions. This work is tracked and the compensation costs associated with that work are allocated to Cost of sales.

Research and development ("R&D") primarily consists of compensation and other directly attributable costs of the staff who develop the Group's software products. The Group capitalises the costs of development work that meets the criteria for capitalisation and amortises costs once the software is brought into use. The associated amortisation is also recognized in R&D. Developers and Analysts working in the Group's R&D function may also provide supplemental monitoring and response services to customers. This work is tracked and the compensation costs associated with that work are allocated to Cost of sales.

Commission cost recognition

Commission costs are all recognised as Sales and marketing costs. The Group pays commissions to sales staff and to referral partners. IFRS 15 requires that certain costs incurred in both obtaining and fulfilling customer contracts be deferred on the statement of financial position and amortised over the period that an entity expects to benefit from the customer relationship. The only significant cost falling within the remit of IFRS 15 is the portion of commission costs classified as a cost of contract acquisition. Sales staff receive the first 50% of commission at the point of contract signing, which is deemed to meet the criteria of being incurred solely to acquire the contract. These transaction related commission costs, including related social security and similar contributions, are therefore capitalised and amortised over the contract term, with the amortisation being recognised as a Sales and marketing cost. Commissions paid to referral partners are also capitalised and amortised to Sales and marketing costs over the life of the related contracts.

The remaining 50% of sales staff commission is paid on the earlier of the full contract value being paid, or, most frequently, after one year. Because these commissions have additional service and performance requirements, they are not eligible to be capitalised under IFRS 15. Instead, the commission and associated social security costs are accrued based on the expected 12-month period between the sale and payment, then the accrual is released when the commission is paid or earlier if commission recouped due to customer defaulting on payments.

Research and development

The Group capitalises the costs of development work that meets the criteria for capitalisation and amortises those costs once the software is brought into use. Research and development expenditures that do not meet the criteria for capitalisation, are recognised as an expense when incurred. Development costs previously recognised as expenses are not recognised as assets in any subsequent period. Development costs for features and enhancements that are available to all customers without additional charge, are expensed as incurred. Amortisation of capitalised development costs is recognized as R&D cost (see Intangible Assets for additional detail).

Share-based payments

The Group operates an equity settled share-based payment scheme. The equity settled share-based payments are measured at fair value at the date of grant. Having a graded vesting schedule, the fair value determined is expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. The charge for each period is allocated to the relevant income statement categories where the employment costs of the employees granted the equity options are charged.

Employee options

The fair value of options granted is recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. When the options are exercised, the appropriate number of shares is issued to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

The share-based payment scheme has been in place since 2013. All awards vest over three years from the grant date (or contractual commencement date in the case of growth shares) in six-month intervals, (i.e. 1/6 of the awards will vest every six months over 36 months) subject to continued employment. Grants prior to October 2018 had automatic accelerated vesting on an exit, including on an IPO, whilst subsequent grants excluded this provision, though the Board retains the discretion to accelerate vesting in the event of an IPO or other scenarios.

Growth shares

Growth shares are equity instruments that allow the holder to participate in the value of an entity only where the overall equity value exceeds a hurdle rate. Growth shares are therefore economically similar to vanilla share options where the hurdle acts as a quasi-exercise price. The strike price applying to the options is the same as the hurdle applying to the growth shares. The Board's intention has been for the terms of the growth shares to mirror the terms of the options. As such they are accounted for in the same way as share options.

Growth shares usually crystallise value on an exit where sales proceeds are apportioned to the holders of different share classes in accordance with a company's value waterfall. By contrast employee option schemes typically crystallise value on the exchange of a strike price for the underlying equity.

Growth shares issued by the Company are treated as normal shares where there is an exit via a share or asset sale. In this scenario, proceeds are paid to the growth shareholders where the ordinary shares first receive the hurdle value.

See note 4 for significant estimates and judgements taken on the share-based payment valuation.

Finance income and costs

The Group earns interest on its cash balances through its deposits with banks but does not currently engage in forward contracts and complex investments, so has its cash being recognised as cash at hand.

Interest income on financial assets is at amortised cost, calculated using the effective interest method and is recognised in the statement of comprehensive income.

Finance costs for the six months ended 31 December 2020 also included costs related to convertible loan notes issued by the Company in July 2020 (see Convertible loan notes for additional details).

R&D tax credit/Government grants

The Group has made claims for tax credits under the HMRC RDEC scheme since 2019 that is reflected as other income on the consolidated statement of income. This accounting treatment is in accordance with IAS 20 Government grants.

Income tax

The income tax expense or credit for the period comprises current tax for the year, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, where applicable.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods in the countries where the Group operates and generates taxable income. Any uncertain tax treatments are reviewed, documented, and communicated to the Board as appropriate. The Group's finance function monitors any uncertain items on a regular basis, working closely with the local tax advisor to understand any potential changes to the associated risk. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As a consequence, a consolidated deferred tax asset has not been recognised for brought forward tax losses, capital allowances (tax written down value being in excess of the respective net book value) and estimated tax relief on share-based payments.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Income tax is recognised as an expense or income and included in the income statement for the period, except to the extent that the tax arises from a transaction or event that is not itself recognised in the income statement, for example when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the HMRC SME R&D scheme). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. Where the credit can be claimed as a refund of previously claimed tax payments, it is reflected as tax recoverable and a current tax credit.

Intangible assets

The Group capitalises allowable costs related to the development of new products and related significant functional enhancements to its Cyber AI platform. The directly attributable costs capitalised are employee costs including the appropriate portion of relevant compensation-related overheads. Costs are only capitalised when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

These capitalised development costs are recorded as intangible assets and amortised from the point at which the developed assets are released for use, typically as a part of major version or product releases.

Capitalised development costs are amortised on a straight-line basis over a three-year period unless the related software is removed from service prior to that date, in which case the remaining amortisation related to the software removed from use would be accelerated. This amortisation is classified as research and development costs.

Property, plant and equipment

Most of the Group's Property, plant and equipment is comprised of the appliances used to deploy its software. Appliances are encrypted with the Group's software and deployed both to customers for the fulfilment of contracts, and potential customers for POV demonstrations. These appliances are deployed, retrieved, and redeployed many times over their useful lives and may be on customer or prospect sites, interchangeably, at any given time. The Group retains ownership of these appliances and depreciates them over an estimated five-year life. The depreciation of these assets is apportioned to either Cost of sales or Sales and marketing based on the proportion of appliances deployed to customers and prospects in each period.

Other assets included within Property, plant and equipment are generally IT equipment for employee use and a small amount of infrastructure equipment. The Group also has office fit out costs, furniture, and other tangible property.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are as follows:

Appliances	5 years straight line
Equipment	2-5 years straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

For more details around the critical judgement and significant estimates around appliances, see note 4.

Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not subject to amortisation because they are not yet in use are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Reversals of impairment losses are limited such that the value of the asset cannot exceed the carrying amount it would have had no impairment been recognised.

Leases

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described below.

Contracts may contain both lease and non-lease components. Under IFRS 16, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group's exercising of that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by subsidiaries, which do not have recent third-party financing,
- makes adjustments specific to the lease, e.g. term, country, currency and security, and
- uses a readily observable amortising loan rate that has a similar payment profile to the lease (through recent financing or market data), if it is available to the individual lessee, as the basis to determine the incremental borrowing rate.

Right of use assets

Right of use assets are measured at cost considering the following factors:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and

- any restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life, typically the first contractual break clause in the lease expected to be executed, and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets are generally comprised of IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in several property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations. Most of the extension and termination options held are exercisable only by the Group and not by the respective lessor.

COVID-19-Related Rent Concessions Amendment

The Group has not applied the practical expedient as per the IFRS 16 amendment to any rent concession as the Group did not receive rent concessions from landlords during this period.

Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group has adopted the simplified model of recognising lifetime expected credit losses for all trade receivables on a collective basis as there are shared credit risk characteristics, grouped on the basis of geography and days past due. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. See note 20 for a description of the Group’s impairment policies.

Within trades and other receivables and deposits due to either convert to expense or be refunded within twelve months. These are primarily related to future marketing events.

Capitalised commission

Capitalised commission represent commission costs and partner fees deferred under IFRS 15 as costs of obtaining a contract with a customer.

Deposits

Deposits are primarily related to leases for the Group’s offices.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, or any other period, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Accruals for legal claims, service warranties and make good obligations

Accruals are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Accruals are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. An accrual is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Accruals are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as of the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the accrual due to the passage of time is recognised an interest expense.

Commission accruals

The second 50% of sales commission is paid at the earlier of full payment of the contract or most frequently, after one year. As payment requires additional performance obligations, this cost is not eligible to be capitalised, so is accrued based on the expected 12-month period between the sale and the payment to the sales staff, with the accrual released when the commission is paid. Estimation of the effect of leavers has been incorporated into the commission accrual calculations in line with IAS 19.

Convertible loan notes

In July 2020, the Company issued convertible loan notes ("CLNs") to certain existing shareholders. The transaction completed when funds were received in early July 2020. The rate at which interest accrues on the CLNs is dependent on the mechanism by which it will ultimately be redeemed:

- 18% per annum compounded monthly if the CLNs are settled in cash; or
- 9% per annum compounded monthly if the CLNs are converted to equity plus the discount factor noted below.

In both cases, interest will be accrued until such time as the notes are redeemed.

If redemption occurs prior to June 2021, this discount will be 35%. If no redemption occurs by that date, the amount of the discount increases by 1% per month up to a maximum of 55%. The accrued interest is also converted at the applicable discount rate.

The principal and interest components of the CLNs do not meet the criteria for recognition as equity and therefore, the CLNs have been recognised as a financial liability.

The equity conversion and early settlement features included in the CLNs' terms constitute an embedded derivative. The CLNs have, therefore, been treated as hybrid instruments. Given the embedded derivative is not closely related to the debt host contract, the derivative must be separated from the host and recorded at fair value through the statement of consolidated income on initial recognition. The host contract is measured at amortised cost using the effective interest rate over its expected life.

Host contract – borrowing

The host debt instrument is measured at amortised cost based on the effective interest rate ("EIR") calculated at initial recognition. For a financial liability, the EIR is the rate that exactly discounts estimated future cash payments to the instrument's amortised cost. The EIR is calculated by estimating the instrument's expected cashflows considering all contractual terms of the instrument.

The calculation of the EIR in the case of an embedded derivative takes into account the presence of a conversion feature and where that embedded derivative is not closely related to the host debt instrument, the impact and timing of the cashflows of the conversion feature may be excluded from the estimated cashflows of the host debt instrument.

In the case of the CLNs, this may lead to a situation where the host debt instrument's EIR is calculated based on cashflows up to its contractual maturity in the absence of an expectation that any other contractual feature may impact the instrument's estimated future cashflows.

Fair value of embedded derivative

The fair value of the embedded derivative is calculated at initial recognition and the balance of the transaction proceeds received by the company on issue of the CLNs (after deducting the fair value of the embedded derivative) is allocated to the host debt instrument.

We have considered the approach to the calculation of the EIR as that of an embedded derivative that arises due to the presence of a conversion feature and where that embedded derivative is not closely related to the host debt instrument. In this case, the impact and timing of the cashflows of the conversion feature may be excluded from the estimated cashflows of the host debt instrument, in compliance with IFRS 9. In the case of the CLNs, this leads to the host debt instrument's EIR being calculated based on cashflows up to its contractual maturity in the absence of an expectation that any other contractual feature may impact the instrument's estimated future cashflows.

The valuation of the embedded derivative considers the following process and factors:

- determine the cash-based return, and separately the equity-based return, over a spectrum of time between the expected IPO date as at the Valuation Date and 4 years from initial recognition.
- discount the cash redemption amount to the expected conversion date at a market yield which assumes there is no conversion feature.
- compute the 'gain' on the equity conversion, being the additional return over and above the cash-based return.
- include the likelihood of the cash repayment after 4 years in the overall assessment.
- discount the 'gain' to its net present value, over the estimated time period using market yield.
- probability-adjust the outcomes based upon the following expected time horizon of:
  - an IPO or equity event; and
  - cash repayment after 4 years undiscounted.
- take the weighted average outcome as the fair value of the embedded derivative.

Refer to note 4 for more details on the significant estimates and judgments in the valuation.

Derecognition of borrowings

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred. Since the issuance of the CLNs in July 2020 the effective interest rate of the CLNs has been applied to the value of research and development costs that have been capitalised and will continue to be applied for as long as the CLNs remain unredeemed.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as expense in finance costs in the statement of comprehensive income. A financial liability is derecognised only when the obligation is extinguished.

Employees benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Post-employment obligations

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company operates a stakeholder pension scheme and contributes to several personal pension schemes on behalf of its employees. The Group also contributes to State-sponsored pension schemes in multiple countries as legislated.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

The Group operates various post-employment schemes and defined contribution pension plans, and enables post-employment medical plans where legislated.

Bonus plans

The Group recognises a liability and an expense for bonuses based on management's best estimate of the expected payment for discretionary bonuses and will make any appropriate adjustments, if necessary, at the time these bonuses are paid. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits, or
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Contributed equity

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

Equity is comprised of the following:

- Share capital: represents the nominal value of equity shares.
- Share premium: represents the excess over nominal value of the consideration received for equity shares, net of any transaction costs associated with the issue of shares.
- Stock compensation reserve: this reserve is used to recognise the grant date fair value of options issued to employees but not exercised, the grant date fair value of growth shares issued to employees and the grant date fair value of deferred shares granted to employees but not yet vested.

- Foreign currency translation reserve: arises on consolidation as a result of translating the financial statement items from the functional currency into the presentational currency using the exchange rate at the statement of financial position date.

- Retained earnings: represents retained profits and losses.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the functional currency for the Company and all of its subsidiaries. The functional currency of the Company is also the functional currency of the subsidiaries, as they are deemed to be extensions of the Company's operations. The consolidated Historical Financial Information is presented in U.S. Dollars ("USD") which, since 1 July 2019, has been the functional currency of the Company and all of its subsidiaries. The Company and all of its subsidiaries changed functional currency from Pound Sterling ("GBP") to USD when it determined that the preponderance of underlying transactions had become denominated in USD (See note 4 for additional detail).

Transactions and balances

Foreign currency transactions are translated into the functional currencies for the Company and all of its subsidiaries using the exchange rate as at the beginning of the month of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at month end exchange rates, are generally recognised in the statement of comprehensive income. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains or losses. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by

- the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4. Critical accounting estimates and significant management judgments

The preparation of consolidated historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the historical financial information and the reported amount of revenues and expenses during the reported period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and for any future periods affected.

The areas involving significant estimates or judgements are:

Critical judgement in revenue recognition

The majority of the Group's revenue is from subscription contracts that meet the 5 step criteria as outlined in IFRS 15, and are therefore recognised over the term of the contract.

Management considers that these contracts consist of a single performance obligation, which is the ongoing access to the portions of the Cyber AI platform purchased by the customer. The Cyber AI platform is a single combined solution, with customers able to choose the appropriate product mix based on their own needs. The key contractual elements considered by management include the deployment of the software (on appliances or virtually) and the core software products and subsequent updates. Appliance deployments typically take an hour or less once the appliance is received by the customer, and virtual deployments can be enabled immediately, so deployment is not a material performance component of a subscription contract that has, on average, a three-year life. Subsequent updates to the platform ensure that the latest software is available with the latest capabilities but do not materially change the functionality of the platform. The products and, to a lesser extent, services, are significantly integrated to provide a combined output, and services are highly interdependent with (and are not available separately from) the subscription to product within the Cyber AI platform. Some customers may purchase ancillary services or training, but these are usually immaterial to the total contract value and are not deemed to impact the assessment of there being only a single performance obligation.

Appliances

The Group is required to assess if, as part of the assessment of the performance obligations, there is an embedded lease within the contract relating to the appliances used to deploy its software. Due to the length of the contracts, averaging approximately three years, and the underlying asset value, it is appropriate to assess if there is an inherent lease embedded within the contract.

The Group considered its continued ownership of the appliances, the appliances having a useful economic life that exceeds the typical contract length (appliances are accounted for on an estimated useful life of five years based on the Group's experience to date), and the appliances being an immaterial portion of the total contract value, in determining if there was a lease.

It is management's judgement that the Group retains control of the appliances throughout the performance period as the Group directs the use of these assets. It is also management's judgement that the Group's contracts do not contain leases under IFRS 16.

Given the sensitivity around the estimated useful life of the appliances, management has prepared an analysis to determine the impact on the financial position and in the statement of comprehensive income, from a change in the estimated useful life considering 3 years and 7 years as follows:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
3 years useful life applied					
Variance in appliances net book value	(443)	(5,515)	(5,798)	(10,874)	(6,555)
Variance in depreciation	2,388	2,208	4,514	(4,754)	(3,817)
7 years useful life applied					
Variance in appliances net book value	(175)	2,677	2,412	5,469	2,887
Variance in depreciation	(1,573)	(1,367)	(2,782)	2,769	1,714

Significant estimate in the share-based payments

Share based payments are calculated in accordance with IFRS 2 – Share-based Payment. The Company has used a Black-Scholes valuation model to value the awards. Where an option scheme has no market-based performance conditions attached to the award, a Black-Scholes model is typically appropriate. The growth shares have a hurdle, which is a market based performance condition, however this is used as a proxy for exercise price. Therefore Black-Scholes is still an appropriate model.

The Black-Scholes model utilises various inputs, some of these are subject to management judgement as follows:

The price of the underlying shares at the valuation date

As the Group is not listed on an exchange, share price is not an observable input.

For the six-month period ended 31 December 2020, management has used a share price of $716.48 which is based on the share price achieved at the last fundraising round on 20 September 2018. There is a degree of uncertainty related to the share price selected as management's valuation relies on a share price that was paid between 22-25 months before each respective grant date. There is a reasonable possibility that the share price will have subsequently changed, possibly materially. However, this estimate does not result in a significant risk of a material adjustment as the grant date fair value estimate for existing awards is not revised in subsequent periods. Management has considered that proceeds from the convertible loan note issuance, in July 2020, were used to cancel shares in the Company at a price of $716.48 which could provide a more up-to-date benchmark. In addition, from March 2020 equity markets saw a period of extreme volatility due to the impact of the Covid-19 pandemic, a trend that continued, through to a lesser extent in the latter months of year. The share price for earlier periods was based on the most recent fundraise before each period end.

	31-Dec-2020	31-Dec-2019 Unaudited	30-Jun-2020	30-Jun-2019	30-Jun-2018
Average share price at grant date used by management ($)	716.48	716.48	716.48	690.46	434.62
Change in share price at grant date +/-10% variance in overall valuation ($'000)	1,518	94	775	1,311	637

The expected volatility of the share price

As the Group is unlisted, management considered the volatility of comparable listed companies, as sourced from their published accounts, when valuing the awards. Volatility is a relatively subjective input. The Group is at an earlier stage in its development compared to the listed companies it referenced, so its volatility would therefore be expected to be in the upper end of the range. Given the average share value at grant has significantly increased since July 2019, the valuation of the share-based payments is particularly sensitive to the volatility for share schemes granted after 30 June 2019. Management therefore sensitised the valuation with respect to those periods, as shown in the table below.

Management has used a range of values to derive a high volatility input for the different periods as follows:

	31-Dec-20	31-Dec-19	30-Jun-20
Expected volatility used by management (%)	40%	45%	40%
Lower volatility – sensitivity (%)	30%	30%	30%
Variance in the overall valuation ($'000)	(1,893)	(203)	(1,806)

Significant estimate in the share price used to calculate the accrual for social security costs on share-based payments

In the U.K., employer national insurance contributions should be accrued on the share-based payment charges taken on assets deemed to be readily convertible assets ("RCA"). An RCA is one that is listed or likely to be listed on a recognised exchange. The Group has accounted for the related accrual from October 2020, the point at which it officially appointed bankers with the aim of listing and when it judged there to be a likelihood of listing in the foreseeable future.

In most other countries where social security-type obligations arise on share awards, the obligation to accrue applies irrespective of whether the shares are RCAs or not. The Group has accounted for the liability for social security-type obligations to be paid for French, German and U.S. employees, in the applicable periods.

Calculation of social security-type contributions can be complex as they involve changing or tiered cost ceilings and differing percentages applied depending on the salary level of the employees.

Given the sensitivity of these accruals to the share price at the end of the period, the Group has prepared the following sensitivity analysis:

	31-Dec-20	31-Dec 19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
+/- 10% share price value – change in value of accrual ($'000 absolute value)	1,193	214	211	230	222

Critical judgement and significant estimate in the capitalisation of development costs

Management has determined that development costs related to the new products added to the Cyber AI platform have future economic benefits and are economically recoverable. The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement as to whether those costs represent part of an existing performance obligation or a separate intangible asset. There is also a significant judgement in the estimation of the expected useful life of the asset.

Development costs attributable to the new products for sale are capitalised as internally generated software. Development costs not directly attributable to new products for sale are expensed as incurred as they are most often enhancements and are deemed part of the existing performance obligation to already contracted customers.

The table below presents the amount of platform development costs capitalised and expensed during the periods.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Capitalised Development costs	3,463	1,320	2,788	2,621	1,945
Expensed R&D costs	5,166	2,100	4,739	3,599	3,375

Estimated useful life of the internally generated software

Due to the nature of the Cyber AI Platform, which is based on unsupervised machine learning, the knowledge gained in previous versions of the platform will continue to influence, and be embedded in, future products. Each new release builds on the previous release and utilises the learning and tools from previous version, but also makes significant new products available for purchase by the customer. Therefore, previous versions of the platform are not deemed obsolete following future releases. The capitalised development is amortised on a straight-line basis over a three-year period, which management deems to be reasonable given that it operates in a rapidly evolving industry.

The amortisation charged in each period has been the following:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Amortisation of development costs capitalised	(949)	(276)	(1,429)	(890)	(875)

Significant estimates in the convertible loan note valuation

The key assumptions driving the fair value of the embedded derivative include the timing and likelihood of a transaction that would lead to its settlement. It is, therefore, highly sensitive to the probability assessments, which are ultimately a best estimate and clearly an area of judgement.

If a settlement/conversion event occurs, the convertible loan note will result in a variable number of shares being issued. The number of shares issued will be to the value of a specified amount. The specified amount due to the holder varies with the timing of a settlement event and is driven by the 9% interest plus the discount factor applied at the time of the event. The number of shares to be issued will also vary given the number of shares to be issued will change dependent on the value of this amount.

One of the key estimates that affects the value of the embedded derivative is the current expectation that an IPO, will be the most likely conversion and that this will occur in May 2021. The value of the embedded derivative has been weighted towards this outcome. The value of the embedded derivative has been weighted towards this outcome. If the IPO were to occur on the 15 May 2021 the value of the shares that would be issued to settle the liability would be $268.4 million. As time passes, the amount that could be payable if a conversion event occurs will increase, to a maximum of $517.9 million on the 29 June 2024. If no event occurs, the amount due for repayment on 30th June 2024 would be $332.7 million.

The selection of an appropriate discount rate requirements judgement. There are a number of observable Internal Rate of Return ("IRRs") that the holder will achieve depending upon the timing of conversion, ranging from c.20% to c.80%. The earlier the conversion the higher the return to the holder. To derive an appropriate rate to discount cash flows, a mid-point of 40% has been used and is considered a reasonable basis for calculating the discount rate that a market participant would apply to a similar instrument with no conversion feature.

The instrument was negotiated in the expectation of an IPO or equity event and therefore management assessment takes this fact into consideration and places a relatively high amount of weight on it. Management has considered the probability of an equity event after ten months and two years and a cash repayment after four years to determine the appropriate value of the host loan of the embedded derivative at 1 July 2020 and 31 December 2020. Management is comfortable that a rational market participant as at the Valuation Date would consider an IPO within a one-to-one-and-a-half-year time horizon to be the most likely outcome.

Management has prepared the following sensitivities, flexing the discount rates and the probability of a May 2021 IPO by 10% up and down:

	Actual	Discount*	Discount**	Probability***	Probability****
	$'000	$'000	$'000	$'000	$'000
01-Jul-20					
Embedded derivative	79,535	85,188	68,970	80,661	78,410
Host loan	83,286	77,633	93,851	82,159	84,412
	162,821	162,821	162,821	162,820	162,822
31-Dec-20					
Embedded derivative	106,895	117,924	90,031	108,227	105,563
Host loan	98,577	95,926	112,253	100,523	102,798
	205,472	213,850	202,284	208,750	208,361

* This is increasing the discount rate by 10%.

** This is decreasing the discount rate by 10%.

*** This involves increasing the probability of the May 2021 IPO date by 10% and reducing the probability of the December IPO date by 10%. Aggregate 70% probability of IPO (July) and 80% probability (December) unchanged. In December the host loan value is based upon the July sensitivity adjustment accreted up through the Effective Interest Rate ("EIR").

**** This involves decreasing the probability of the May 2021 IPO date by 10% and increasing the probability of the December IPO date by 10%. Aggregate 70% probability of IPO (July) and 80% probability (December) unchanged. In December the host loan value is based upon the July sensitivity adjustment accreted up through the EIR.

Critical judgment in recognition of deferred tax asset for carried-forward tax losses

At 30 June 2020, 30 June 2019, 30 June 2018, 31 Dec 2020 and 31 Dec 2019, the Group has significant tax losses in the UK available for offset against future taxable profits. The Group has not recognised a deferred tax asset of approximately $46.8 million at 30 June 2020 (30 June 2019: $38.1 million, 30 June 2018: $33.5 million, 31 Dec 2020: $47.9 million and 31 Dec 2019: $41.5 million) as there is sufficient uncertainty that the losses will be utilised in the foreseeable future.

Critical judgement in the determination of functional currency

The Company is the parent company of the Group, the trading entity through which all sales are booked and the employment vehicle for all employees not employed by a local entity. It is the only entity transacting in multiple currencies, both from a revenue and a cost perspective.

For the periods prior to 1 July 2019, the functional currency was assessed as GBP. Management reassessed the functional currency of the Company to determine whether there had been a substantial shift in the mix of revenue and operating costs in multiple currencies and when this shift arose. Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – USD was determined to have become the functional currencies for the Company and the subsidiaries as of 1 July 2019. Management is of the opinion that USD best reflects the current and prospective economic substance of the underlying transactions and circumstances of the Company, given that:

1. the largest portion of the revenues of the Company have recently been, and are expected to continue to be, transacted in USD (although most of the Company's administrative expenses are expected to continue to be denominated in GBP),

2. most of the funding of the Company had been and is expected to continue to be transacted in USD, and

3. the Company generally retains cash in the currency in which it is received. As recent fundraises have been in USD, most the company's cash balances are maintained in USD.

As part of the review of functional currency, it is necessary to consider the different subsidiaries within the Group to determine which entities should be considered in the functional currency review. There is a significant level of judgement in determining the appropriateness of functional currency for subsidiaries, which takes into account the primary, secondary and additional indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates.

Management has considered whether each local entity has a significant degree of autonomy or it is acting under the direction of the Company, whether it could finance its own activities and service its debt obligations independently, and the frequency of transactions with the Company. On the basis that the profit of the subsidiaries is driven by the Company, and the Company is providing significant operating and financial support to the subsidiaries, management has concluded that the subsidiaries do not have a significant degree of autonomy and the Company's functional currency is the appropriate functional currency for the subsidiaries.

The effect of the change in the functional currencies for the Company and all of its subsidiaries from GBP to USD was applied prospectively from 1 July 2019, as this was the first year with majority of the revenue of the Company denominated in USD.

There is judgement around the date management applied the change, however, given there is no single event that determined the shift as there was a gradual increase in reliance on US revenues, management considered it appropriate to use the start of the accounting period to apply for the change. In conjunction with the change in functional currency, the Group changed its presentation currency from GBP to USD. This change was applied retrospectively and the assets and liabilities (including opening balances from the earliest prior period presented) were translated and re-presented in USD at the closing rate of the respective year end, while income and expenses were translated at the average exchange rate with all resulting exchange differences recognised in other comprehensive income.

Critical judgement in determining the Ultimate Controlling Party

The Directors have determined that no entity or party controlled the Company and the Group throughout the periods covered by this Historical Financial Information. The Company and the Group had no ultimate controlling party or parent company, and no other entity has financial statements or results included in the results of the Company or the Group.

In reaching this conclusion, the Directors have applied judgement, specifically in assessing whether a significant investor, Invoke Capital Partners ("Invoke"), controlled the Company and the Group from 1 July 2017 to 31 December 2020. The table below illustrates the changes in the shareholdings held by Invoke from 1 July 2017 to 31 December 2020.

For the purpose of this disclosure, Invoke means ICP London Limited from 1 July 2017 to 12 February 2018, ICP Darktrace Holdings Limited from 13 February 2018 to 6 August 2020, and a group of individual shareholders who acted collectively from 7 August 2020 to 31 December 2020.

Invoke	% of ordinary and preference shares held by Invoke	Period	Details of changes in the shareholdings held by Invoke
ICP London Limited**	44%	1 July 2017 – 12 February 2018	44% of ordinary and preference shares of the Company were held by Invoke
ICP Darktrace Holdings Limited	42%	13 February 2018 – 6 August 2020	On 12th February 2018, the shares of the Company held by ICP London Limited were transferred to ICP Darktrace Holdings Limited, an entity set up by the shareholders of ICP London Limited. ICP London Limited no longer held shares in the Company.
Group of individual shareholders acting collectively*	36%	7 August 2020 – 31 December 2020	On 7 August 2020, most of the shares of the Company held by ICP Darktrace Holdings Limited were distributed to the individual shareholders of ICP Darktrace Holdings Limited. The remaining shares were distributed on 30 November 2020. Collectively, the individual shareholders held 36% interest in the Company. The Group of the individual shareholders acted collectively with respect to the rights attached to their shareholdings.

* Michael Lynch, the founder of Invoke and his spouse, Angela Barcares, held 23% of the ordinary and preference shares of the Company.

** ICP London Limited provided management support services to the Company under a supply of services agreement throughout the periods covered by this Historical Financial Information. The services provided under the agreement included advice on strategy, marketing, communication, technology, operations, mergers and acquisitions, the supply of secure and reliable data processing and operational support. These services have been provided primarily by five key employees of ICP London Limited, including Michael Lynch. The Company paid a monthly fee to ICP London Limited for the provision of these services.

During the period from 1 July 2017 to 31 December 2020, Invoke had three representatives on the Board of directors. Invoke had affiliations with three of the other Board members.

In assessing whether Invoke controlled the Company and the Group, the Directors considered whether Invoke directly or indirectly had the ability to make decisions over the relevant activities of the Company and the Group. Decisions over the relevant activities were made by the Board of directors and the Board representation by Invoke and the associated voting rights did not provide Invoke power over the relevant activities.

Given the relationships of the other Board members with Invoke, the Directors evaluated different mechanisms, that could, in isolation or combination, have given Invoke the ability to make decisions over the relevant activities. The Directors applied judgement in evaluating the nature of the relationships, the interaction of these Board members with Invoke and whether these Board members could have been acting on behalf of Invoke. The Directors concluded that these Board members acted independently of Invoke when making decisions about the Company and the Group.

The Directors also assessed whether the services provided under supply services agreement (see note under table above) enabled Invoke to direct the relevant activities of the Company and the Group. The Directors concluded that these services did not translate to power over the relevant activities of the Company and the Group.

After assessing all relevant factors in their totality, the Directors concluded that Invoke did not control the Company and the Group but was deemed to have had significant influence over the Company and Group during the period from 1 July 2017 to 31 December 2020.

5. Financial risk management

The Group's financial risk management is controlled by a central treasury department ("Group treasury") under policies approved by the Board of Directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's CFO and other Executive Directors and Senior Managers. The Board authorises written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market Risk

Foreign exchange risk

The table below details the Group's exposure to foreign currency risk, in currencies different from the Group's functional currency, for periods in which the functional currency was USD:

	AUD	CAD	EUR	GBP	JPY	Other Currencies	Total
	$'000	$'000	$'000	$'000	$'000	$'000	
At 31 December 2020							
Trade receivable	1,382	2,473	13,043	10,077	–	1,518	**28,493**
Deposits	303	54	139	3,975	77	643	**5,191**
Cash and cash equivalents	152	79	3,812	13,817	121	1,060	**19,041**
Trade payables	(128)	(145)	(1,740)	(2,566)	(201)	(453)	**(5,233)**
Total	**1,709**	**2,461**	**15,254**	**25,303**	**(3)**	**2,768**	**47,492**
At 30 June 2020							
Trade receivable	1,876	2,075	10,466	10,213	–	1,301	**25,931**
Deposits	277	116	134	3,113	74	628	**4,342**
Cash and cash equivalents	416	44	2,841	11,154	398	694	**15,457**
Trade payables	(151)	(164)	(1,634)	(3,802)	(155)	(264)	**(6,170)**
Total	**2,418**	**2,071**	**11,807**	**20,678**	**317**	**2,359**	**39,650**
At 31 December 2019 (unaudited)							
Trade receivable	593	1,974	8,400	10,054	12	1,269	**22,302**
Deposits	286	123	147	3,766	80	787	**5,189**
Cash and cash equivalents	153	–	978	4,250	99	9	**5,489**
Trade payables	(213)	(239)	(811)	(1,758)	(140)	(317)	**(3,478)**
Total	**819**	**1,858**	**8,714**	**16,312**	**51**	**1,748**	**29,502**

The table below details the Group's exposure to foreign currency risk, in currencies different from the Group's functional currency, for periods in which the functional currency was GBP:

	AUD	CAD	EUR	JPY	USD	Other Currencies	Total
	$'000	$'000	$'000	$'000	$'000	$'000	
At 30 June 2019							
Trade receivable	1,018	1,134	5,947	–	16,759	688	**25,546**
Deposits	279	54	115	80	1,603	541	**2,672**
Cash and cash equivalents	148	-	1,431	299	51,360	50	**53,288**
Trade payables	(134)	(61)	(836)	(180)	(6,107)	(249)	**(7,567)**
Total	**1,311**	**1,127**	**6,657**	**199**	**63,615**	**1,030**	**73,939**
At 30 June 2018							
Trade receivable	–	–	4,275	–	21,994	19	**26,288**
Deposits	19	46	76	12	2,000	76	**2,229**
Cash and cash equivalents	155	–	629	165	25,054	18	**26,021**
Trade payables	(11)	–	(480)	(50)	(3,580)	(80)	**(4,201)**
Total	**163**	**46**	**4,500**	**127**	**45,468**	**33**	**50,335**

The aggregate net foreign exchange (gains)/losses recognised in other administrative expenses are:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Net foreign exchange (gain)/loss	691	1,826	448	(1,693)	1,748

As shown in the table below, the Group is primarily exposed to changes in USD/GBP and USD/EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD or GBP denominated financial assets and liabilities.

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
USD/EUR exchange rate +/- 10%	1,299	792	1,073	605	409
USD/GBP exchange rate +/- 10%	2,223	1,483	1,880	1,880	709

The Group operates a natural hedging strategy where possible to mitigate its foreign exchange risk. The Group does not currently utilise currency hedging instruments.

Interest rate risk

Refer to the note regarding CLNs for details around the interest rate risk (note 22).

Price risk

The Group has no significant exposure to equity securities price risk.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Group basis. Significant partners are independently rated through credit agencies, if there is no independent rating an internal review is carried out. The Credit manager assesses the credit quality of the partner, taking into account its financial position, as well as experience for customers and partners in the same region. There are no significant concentrations of credit risk, whether through exposure to individual customers or partners, specific industry sectors or regions.

The Group's main financial assets that are subject to the expected credit loss model are trade receivables from the sale of software products and, to a lesser extent, related services. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Refer to note 20 for a trade receivable impairment analysis.

Trade receivables are fully provided where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 6 months past due. The general credit loss provision will begin to be provided from thirty days past due based on the historic default rates adjusted for regional performance. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

At 31 December 2020, the contractual amount outstanding on financial assets that were provided for, but that were still subject to enforcement procedures, was $1.4 million (31 December 2019 $nil, 30 June 2020 $1.4 million, 30 June 2019 $nil, 30 June 2018 $nil).

Liquidity risk

Prudent liquidity risk management involve maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities, to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining both liquid cash and availability under committed credit lines.

Maturity of financial liabilities

The table below presents the Group's financial liabilities by relevant maturity grouping, based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less 12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Contractual maturities for financial liabilities					
At 31 December 2020					
Trade payables	10,709	–	–	–	**10,709**
Convertible loan note (Host contract)	–	–	332,722	–	**332,722**
Lease liabilities	7,951	7,592	18,753	16,157	**50,453**
	18,660	**7,592**	**351,475**	**16,157**	**393,884**
At 31 December 2019					
Trade payables	9,693	–	–	–	**9,693**
Lease liabilities	7,448	6,195	14,042	10,325	**38,010**
	17,141	**6,195**	**14,042**	**10,325**	**47,703**
At 30 June 2020					
Trade payables	13,238	–	–	–	**13,238**
Lease liabilities	7,397	6,812	16,507	16,057	**46,773**
	20,635	**6,812**	**16,507**	**16,057**	**60,011**
At 30 June 2019					
Trade payables	9,795	–	–	–	**9,795**
Lease liabilities	6,681	6,897	14,741	12,179	**40,498**
	16,476	**6,897**	**14,741**	**12,179**	**50,293**
At 30 June 2018					
Trade payables	7,831	–	–	–	**7,831**
Lease liabilities	3,374	3,887	7,640	7,103	**22,004**
	11,205	**3,887**	**7,640**	**7,103**	**29,835**

Terms and conditions of financial instruments

The embedded derivative has been excluded from the above liability maturity analysis as this represents the equity conversion element of the CLN and has no contractual cashflows. Refer to note 22 for terms and conditions.

6. Capital management

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a going concern, to provide adequate returns for shareholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital based on the carrying amount of the equity less cash and cash equivalents as presented on the face of the statement of financial position.

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Capital					
Total equity	(145,596)	24,297	23,856	42,032	21,584
Less cash and cash equivalents	(103,912)	(46,568)	(53,944)	(64,443)	(29,178)
Total capital	**(249,508)**	**(22,271)**	**(30,088)**	**(22,411)**	**(7,594)**
Overall financing					
Total equity	(145,596)	24,297	23,856	42,032	21,584
Plus leasing liabilities, borrowings and other financing liabilities	(244,183)	(29,804)	(35,546)	(31,295)	(17,192)
Total financing	**(389,779)**	**(5,507)**	**(11,690)**	**10,737**	**4,392**

Other financing liabilities includes the fair value of the embedded derivative related to the CLNs. See note 22 for more details.

7. Operating segments

The Group has concluded that it operates only one operating segment as defined by IFRS 8 Operating Segments being the development and sale of cyber-threat defence technology. The information used by the Group's CODM's to make decisions about the allocation of resources and to assess performance is presented on a consolidated Group basis. Accordingly, no segment analysis is presented. Refer to note 8 for disaggregated analysis on revenue from contract with customers.

No single customer accounted for more than 10% of revenue in any of the periods presented.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
By geographic market					
United Kingdom	36,423	32,765	32,219	31,939	21,487
USA and Canada	38,873	29,873	38,364	28,315	19,174
Europe	16,122	13,004	15,086	10,624	6,878
Rest of world	19,407	20,446	20,807	18,525	9,822
	110,825	96,088	106,476	89,403	57,361

8. Revenue from contracts with customers

Disaggregation of revenue

Revenue recognised at a point in time is not significant to the reported results in any period. This includes revenue generated by separate contracts for training and sale of appliances. As at 31 December 2020 this revenue amounted to $0.1 million (31 December 2019 $0.2 million, 30 June 2020 $0.2 million, 30 June 2019 $0.4 million, 30 June 2018 $0.3 million).

Management has assessed that the single performance obligation that it is providing to customers is access to products, primarily software, within the Darktrace Cyber AI platform to protect customers' digital estates from the impact of cyber threats. There are no significant contracts with a single customer.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
United Kingdom	22,907	17,988	38,272	24,708	23,776
USA and Canada	49,908	37,818	81,207	55,732	30,905
Europe	25,961	16,940	37,943	26,120	10,702
Rest of world	27,738	18,330	41,654	30,457	14,032
Total revenues	**126,514**	**91,076**	**199,076**	**137,017**	**79,415**

Revenue from customers has been attributed to the geographic market based on contractual location.

Contract assets and liabilities related to contracts with customers

The following table provides information on accrued income and deferred revenue from contracts with customers.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Accrued income	3,073	1,107	754	621	218
Total accrued income	**3,073**	**1,107**	**754**	**621**	**218**
Current deferred revenue	108,736	81,615	96,769	72,552	42,881
Non-current deferred revenue	30,216	24,629	25,779	22,702	21,582
Total deferred revenue	**138,952**	**106,244**	**122,548**	**95,254**	**64,463**

Deferred revenue has increased year on year in line with the increase in revenue.

Contracts are invoiced between one month and more than three years in advance, with the majority of contracts being invoiced annually in advance. Deferred revenue reflects the difference between invoicing and associated payment terms, and fulfilment of the performance obligation.

Details of costs to obtain contracts with customers are shown in note 19.

Revenue recognised in relation to deferred revenues (contract liabilities)

The following table shows how much revenue recognised in each reporting period related to brought-forward contract liabilities:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Revenue recognised that was included in the deferred revenue balance at the beginning of the period	71,205	50,357	72,552	42,881	22,502

Revenue expected to be recognised

The following are the aggregated amounts of future revenues that relate to contracts that are unsatisfied or partially unsatisfied:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Due within 12 months	261,264	192,137	223,481	159,147	100,913
Due within 1-2 years	184,585	138,680	159,730	116,217	71,686
Due within 2-3 years	109,575	80,975	95,150	67,448	42,024
Due within 3-4 years	46,465	31,875	41,493	25,600	15,574
Due over 4 years	10,036	12,339	14,007	8,822	6,804
	611,925	**456,006**	**533,861**	**377,234**	**237,001**

9. Other operating income

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
R&D tax credit under HMRC RDEC scheme	322	424	811	850	–

10. Finance costs and finance income

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Finance costs					
Total interest on financial liabilities measured at amortised cost (CLNs – host contract)	15,291	–	–	–	–
Fair value movement on derivative (CLNs – embedded derivative)	27,360	–	–	–	–
Interest on lease liabilities	1,382	1,164	2,405	2,224	1,262
Capitalised borrowing costs	(989)	–	–	–	–
Total Finance costs	43,044	1,164	2,405	2,224	1,262
Finance income					
Interest income from cash and cash equivalents	59	453	382	937	250
Total Finance income	59	453	382	937	250

With regard to the CLNs, this transaction was negotiated on the basis of an IPO or equity event in the short to immediate term. As such the fair value of the embedded derivative on the inception date is a relatively high proportion of the overall CLNs balance because the value received on an equity event is known and therefore subject only to timing and the probability of an equity event. As time moves towards the anticipated IPO date, and absent any information contradicting the likelihood of an IPO, the fair value of the embedded derivative increases significantly. The fair value movement on derivative represent the increase in value from 1 July 2020 to 31 December 2020 substantially due to the increase in likelihood of IPO and related weight in the calculation of the fair value.

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 40%. Prior to the period ended 31 December 2020 the Group had no material borrowing costs for capitalisation.

11. Material statement of comprehensive income items

The Group has identified a number of items which are material due to the significance of their nature and or amount. There are listed separately here to provide a better understanding of the financial performance of the Group.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Research and development expenses	10,657	5,574	12,030	9,715	7,512
Property lease rentals	1,395	1,429	2,997	2,797	2,240
Depreciation & amortisation:					
Capitalised development costs	949	276	1,429	890	875
Right of use assets	2,919	2,584	5,427	4,639	2,239
Capitalised commission	6,405	4,801	10,441	7,092	3,703
Property, plant and equipment	8,876	7,015	15,628	11,355	7,129
US sales tax	1,294	1,152	2,304	2,388	2,439
Litigation settlement	–	–	–	2,202	–
Legal fees	914	–	–	–	–
Credit loss charge	423	103	5,344	1,326	587
Social security cost on share-based payments	6,522	(67)	(67)	539	1,016
Share-based payment charge	5,810	4,932	10,356	6,758	2,286
Net foreign exchange (gains)/losses	691	1,826	448	(1,693)	1,748

Property lease rentals includes the cost for short term lease contracts or low value lease contracts.

Litigation settlement is a non-recurring cost of settlement of class actions related to overtime payments for ex-employees in certain US States.

US Sales tax is a non-recurring cost related to underpayment of sales taxes in previous years. Darktrace has now obtained, or is in the process of obtaining, registrations in the relevant US states in which historically an obligation to collect and remit taxes existed.

The credit loss charge includes the expected credit loss provision in the periods (see note 20).

12. Employee costs

Expenses recognised for the Group's employee compensation and benefits is presented below.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Wages and salaries	57,323	44,727	90,251	62,893	45,031
Social security costs	12,467	4,598	9,323	7,945	6,898
Pension contributions	860	858	2,078	857	497
Share based payment charge (note 26)	5,810	4,932	10,356	6,758	2,286
Total employee costs	**76,460**	**55,115**	**112,008**	**78,453**	**54,712**

The average number of employees, including Executive Directors, during the periods was as follows:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
Sales and marketing	921	809	849	622	429
Research and development	191	142	150	124	110
Administrative and operational	209	103	126	78	54
Total employees	**1,321**	**1,054**	**1,125**	**824**	**593**

13. Tax expenses

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Current tax (credit)/expense:					
Current period	640	598	1,449	(2,800)	869
Adjustments for prior period	(95)	(18)	297		
Total current tax (credit)/expense	545	580	1,746	(2,800)	869
Deferred tax (credit)/expense	–	–	–	–	–
Total tax (credit)/expense in income statement	545	580	1,746	(2,800)	869

Reconciliation of effective tax rate

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Loss for the period before taxation	(47,866)	(22,190)	(26,926)	(37,492)	(41,625)
Tax using the UK corporation tax rate of 19 %	(9,094)	(4,216)	(5,116)	(7,123)	(7,909)
Effect of tax rates in foreign jurisdictions	175	329	359	143	452
Non-deductible expenses	449	876	2,504	1,137	644
Interest non-deductible on CLN	7,913	–	–	–	–
Research and development tax credit	60	80	(3)	–	(1,929)
Refund of R&D tax credit for earlier years	–	–	–	(4,076)	–
Current year deferred tax asset not recognised	1,064	3,492	3,559	7,119	9,611
Foreign tax deducted at source being expensed	58	34	133	–	–
Fixed Asset Differences – Ineligible depreciation	15	3	13	–	–
Under/(over) provided in prior years	(95)	(18)	297	–	–
Total tax (credit)/expense	545	580	1,746	(2,800)	869

At the end of all periods presented, the Group had significant tax losses in the UK available for offset against future taxable profits. The Group has not recognised a deferred tax asset of approximately $46.8 million at 30 June 2020 (30 June 2019: $38.1 million, 30 June 2018: $33.5 million, 31 Dec 2020: $47.9 million and 31 Dec 2019: $41.5 million) as there is sufficient uncertainty that the losses will be utilised in the foreseeable future. The unused tax losses can be carried forward indefinitely.

14. Financial assets and liabilities

The following sets forth information about the Group's financial instruments, including an overview of the financial instruments held by the Group and information about determining the fair value of the instruments.

The Group holds the following financial instruments:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Financial assets at amortised cost					
Trade receivables	53,407	44,077	47,721	31,970	32,347
Accrued income	3,073	1,107	754	621	218
Cash and cash equivalent	103,912	46,568	53,944	64,443	29,178
Total financial assets	**160,392**	**91,752**	**102,419**	**97,034**	**61,743**
Financial liabilities at amortised cost					
Trade and other payables	(50,269)	(38,065)	(40,897)	(31,233)	(22,490)
Borrowing	(98,577)	–	–	–	–
Lease liabilities	(38,711)	(29,804)	(35,546)	(31,295)	(17,192)
Total liabilities at amortised cost	**(187,557)**	**(67,869)**	**(76,443)**	**(62,528)**	**(39,682)**
Financial liabilities at fair value					
CLNs embedded derivative	(106,895)	–	–	–	–
Total financial liabilities	**(294,452)**	**(67,869)**	**(76,443)**	**(62,528)**	**(39,682)**

The Group's exposure to various risks associated with the financial instruments is discussed in note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

15. Earnings per share ("EPS")

Basic earnings per share

The calculation of basic EPS has been based on the following (loss)/profit attributable to ordinary shareholders and weighted-average number of ordinary and preference shares outstanding. Preference shares have been included in EPS as they rank pari passu with ordinary shares in respect of dividend and voting rights.

Loss attributable to ordinary shareholders (basic)

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Loss attributable to ordinary shareholders	**(48,411)**	**(22,770)**	**(28,672)**	**(34,692)**	**(42,494)**

Weighted-average number of ordinary shares (basic)

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
Issued ordinary shares at the beginning of the year	2,125,883	2,051,579	2,125,663	2,051,579	1,913,770
Effect of share options exercised	96	130	169	2,673	753
Effect of shares issued during the period	–	–	–	50,143	124,237
Effect of shares bought-back during the period	(165,196)	–	–	–	–
Weighted-average number of ordinary shares at period ended	**1,960,783**	**2,051,709**	**2,125,832**	**2,104,395**	**2,038,760**
Basic (loss)/earnings per share	$(24.69)	$(11.10)	$(13.49)	$(16.49)	$(19.32)
Diluted (loss)/earnings per share	$(24.69)	$(11.10)	$(13.49)	$(16.49)	$(19.32)

Diluted earnings per share

The following instruments with future potential equity impact were anti-dilutive at each period end and are therefore excluded from the basic EPS calculation.

Options and growth shares

The following table indicates potential equity instruments which may have a dilutive effect in the future.

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	Quantity	Quantity	Quantity	Quantity	Quantity
Outstanding at year or period end	291,071	221,509	252,121	220,824	179,047

Convertible loan notes

Upon a conversion event the conversion of the convertible loan notes will result in a variable number of shares being issued. The number of shares issued will be to the value of a specified amount. The specified amount due to the holder varies with the timing of a settlement event and is driven by the 9% interest plus the discount factor applied at the time of the event. The number of shares to be issued will also vary given the number of shares to be issued will change dependent on the value of this amount.

One of the key estimates which affects the value of the embedded derivative is the current expectation that an IPO, will be the most likely conversion and that this will occur in May 2021. The value of the embedded derivative has been weighted towards this outcome. If the CLN is redeemed in the form of equity, a variable number of shares will be issued to settle the amount of the principal and accrued interest outstanding at the date of conversion. Considering the most likely outcome we have calculated the estimated number of shares to be issued as follows:

- If IPO on 15 May 2020 – 374,546 shares to be issued assuming a price per share of $716.48
- If IPO on 30 June 2020 – 500,445 shares to be issued assuming a price per share of $716.48

If no event occurs, the amount due for repayment on 30th June 2024 would be $332.7 million. If an event happens just prior to redemption date then 722,865 shares will be issued assuming a price per share of $716.48.

16. Intangible assets

Software consists of capitalised development costs being an internally generated intangible asset. The amortisation expense related to this intangible asset is included as a part of research and development costs. Due to the future expected revenues of the capitalised development costs, the group has not identified any impairments to the intangibles.

Version 3 of the Cyber AI Platform and related products were launched in August 2017 when the related cost ($1.6 million) has started to be amortised; at 31 December 2020 the asset has been fully amortised. Version 4 of Cyber AI Platform and related products ($5.5 million) was released in December 2019 when the related cost has been reclassified as software and the amortisation started. Version 5 of Cyber AI Platform and saleable products ($4.9 million) was released in January 2021: as this asset was not in use at 31 December 2020, it is shown as software under development at that date.

	31-Dec-20			31-Dec-19 Unaudited		
	Software	Software under development	Total	Software	Software under development	Unaudited Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross book value						
Opening	8,051	1,468	9,519	2,603	4,128	6,731
Additions	–	3,463	3,463	–	1,320	1,320
At 31 December	**8,051**	**4,931**	**12,982**	**2,603**	**5,448**	**8,051**
Amortisation						
Opening	(3,470)	–	(3,470)	(2,041)	–	(2,041)
For the period	(949)	–	(949)	(276)	–	(276)
At 31 December	**(4,419)**	**–**	**(4,419)**	**(2,317)**	**–**	**(2,317)**
Net book value (Closing)	**3,632**	**4,931**	**8,563**	**286**	**5,448**	**5,734**

Capitalised borrowing costs

$0.9 million borrowing costs have been capitalised for the six-month period ended 31 December 2020. The interest rate for borrowing costs that was applied was 41.6%, reflecting the effective rate on the host loan portion of the CLNs.

	30-Jun-20			30-Jun-19			30-Jun-18		
	Software	Software under development	Total	Software	Software under development	Total	Software	Software under development	Total
	$'000	$'000	$'000	$'0000	$'000	$'000	$'000	$'000	$'000
Cost:									
At 1st July	2,603	4,128	6,731	2,720	1,645	4,365	1,150	1,220	2,370
Additions	–	2,788	2,788	–	2,621	2,621	–	1,945	1,945
Reclassification	5,448	(5,448)	–	–	–	–	1,554	(1,554)	–
Exchange difference	–	–	–	(117)	(138)	(255)	16	34	50
At 30 June	**8,051**	**1,468**	**9,519**	**2,603**	**4,128**	**6,731**	**2,720**	**1,645**	**4,365**
Amortisation:									
At 1st July	(2,041)	–	(2,041)	(1,226)	–	(1,226)	(351)	–	(351)
Charge for the period	(1,429)	–	(1,429)	(890)	–	(890)	(875)	–	(875)
Exchange difference	–	–	–	75	–	75	–	–	–
At 30 June	**(3,470)**	**–**	**(3,470)**	**(2,041)**	**–**	**(2,041)**	**(1,226)**	**–**	**(1,226)**
Net book value	**4,581**	**1,468**	**6,049**	**562**	**4,128**	**4,690**	**1,494**	**1,645**	**3,139**

17. Property, plant and equipment

			31-Dec-20			31-Dec-19 Unaudited
	Equipment	Appliances	Total	Equipment	Appliances	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 July	8,910	76,119	85,029	7,099	56,376	63,475
Additions	1,166	6,904	8,070	727	11,657	12,384
Disposals	–	(796)	(796)	–	(223)	(223)
At 31 December	10,076	82,227	92,303	7,826	67,810	75,636
Depreciation:						
At 1 July	4,214	31,353	35,567	2,121	18,472	20,593
Charge for the period	1,239	7,637	8,876	744	6,271	7,015
Impairment loss	–	90	90	–	–	–
Disposals	–	(552)	(552)	–	(152)	(152)
Effect of movements in foreign exchange	–	–	–	–	–	–
At 31 December	**5,453**	**38,528**	**43,981**	**2,865**	**24,591**	**27,456**
Net book value						
At 31 December	4,623	43,699	48,322	4,961	43,219	48,180

			30-Jun-20			30-Jun-19			30-Jun-18
	Equipment $'000	Appliances $'000	Total $'000	Equipment $'000	Appliances $'000	Total $'000	Equipment $'000	Appliances $'000	Total $'000
Cost:									
At 1 July	7,099	56,376	63,475	4,504	37,636	42,140	3,395	20,173	23,568
Additions	1,827	20,757	22,584	4,365	22,156	26,521	1,017	17,233	18,250
Disposals	(16)	(1,014)	(1,030)	(1,502)	(1,257)	(2,759)	–	(184)	(184)
Effect of movements in foreign exchange	–	–	–	(268)	(2,159)	(2,427)	92	414	506
At 30 June	**8,910**	**76,119**	**85,029**	**7,099**	**56,376**	**63,475**	**4,504**	**37,636**	**42,140**
Depreciation:									
At 1 July 2019	2,121	18,472	20,593	1,913	10,161	12,074	773	4,196	4,969
Charge for the period	2,093	13,535	15,628	1,663	9,692	11,355	1,131	5,998	7,129
Disposals	–	(654)	(654)	(1,365)	(713)	(2,078)	–	(90)	(90)
Effect of movements in foreign exchange	–	–	–	(90)	(668)	(758)	9	57	66
At 30 June	**4,214**	**31,353**	**35,567**	**2,121**	**18,472**	**20,593**	**1,913**	**10,161**	**12,074**
Net book value		-							
At 1 July	4,978	37,904	42,882	2,591	27,475	30,066	2,622	15,977	18,599
At 30 June	**4,696**	**44,766**	**49,462**	**4,978**	**37,904**	**42,882**	**2,591**	**27,475**	**30,066**

Depreciation of appliances is apportioned to Cost of sales based on the proportion of the Group's appliance pool deployed to customer sites in each period, and all appliance depreciation related to customer contracts is recognized in Cost of sales. Depreciation of appliances used to run Proof of Value ("POV") demonstrations for prospects is apportioned to Sales and marketing based on the proportion of the Group's appliance pool deployed to prospect sites in each period.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Depreciation in Cost of sales	5,803	4,236	9,392	6,319	3,654
Depreciation in Sales and marketing	1,834	2,035	4,143	3,373	2,344
Total appliance depreciation	**7,637**	**6,271**	**13,535**	**9,692**	**5,998**

18. Leases

The Group has leases for office space around the world. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the statement of financial position as a right of use asset and a lease liability.

A limited amount of office space is subleased to related parties, see note 29 for further details.

The Group must keep the offices it leases in a good state of repair and return the offices in as good as their original condition at the end of the lease. Further, the Group must insure any leasehold improvements made to the offices and incur servicing fees in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right of use asset recognised on the statement of financial position:

Period	Right of use asset	No. of right of use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with early break clause
June 2018	Office space	8	1-12 Years	6 Years	2	1
June 2019	Office space	16	1-12 Years	5 Years	7	3
June 2020	Office space	20	1-12 Years	4 Years	7	3
Dec 2019	Office space	19	1-12 Years	5 Years	7	3
Dec 2020	Office space	21	1-12 Years	4 Years	7	4

The lease liabilities are secured by the related underlying assets.

Right of use assets

Right of use assets capitalised on the statement of financial position are as below:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Cost:					
At beginning of period	45,083	35,598	35,598	19,097	13,738
Additions	4,038	381	9,485	17,779	4,992
Effect of movements in foreign exchange	–	–	–	(1,278)	367
At end of period	49,121	35,979	45,083	35,598	19,097
Depreciation:					
At beginning of period	13,672	8,245	8,245	3,892	1,630
Charge for the period	2,919	2,584	5,427	4,639	2,239
Effect of movements in foreign exchange	–	–	–	(286)	23
At end of period	16,591	10,829	13,672	8,245	3,892
Net book value at end of period	**32,530**	**25,150**	**31,411**	**27,353**	**15,205**

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Current	(5,233)	(5,347)	(4,903)	(4,438)	(2,197)
Non-current	(33,478)	(24,457)	(30,643)	(26,857)	(14,995)
Total lease liabilities	(38,711)	(29,804)	(35,546)	(31,295)	(17,192)

Amounts recognised in the Statement of comprehensive income

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is disclosed in note 10.

The future minimum rentals under non-cancellable operating leases are as follows:

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Office space					
Within one year	1,263	1,749	2,309	1,389	880

The Group also holds leases for office equipment such as photocopiers for which it has taken the small value exemption.

Amounts recognised in statement of cash flows

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Cash outflow for leases	2,642	2,085	4,519	2,947	1,288
Cash outflow for interest on leases	1,382	1,164	2,405	2,224	1,262
Total cash outflow	**4,024**	**3,249**	**6,924**	**5,171**	**2,550**

Lease maturity analysis

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Lease liabilities, short term	5,233	5,347	4,903	4,438	2,197
1-2 years	5,277	4,498	4,692	5,031	2,913
2-5 years	14,045	10,776	12,142	11,092	5,812
Over 5 years	14,156	9,183	13,809	10,734	6,270
Total lease liabilities	**38,711**	**29,804**	**35,546**	**31,295**	**17,192**

19. Capitalised commissions

Capitalised commission by geography

Capitalised commissions, which primarily represent approximately 50% of commissions paid to the Group's salesforce, are deemed to be a cost of obtaining a contract and are spread over the expected contact term.

	For the 6 months ended		For the year ended		
	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
By geographic market					
United Kingdom	5,218	4,057	4,827	3,644	2,847
USA and Canada	9,618	7,410	8,854	6,415	3,903
Europe	8,347	5,326	6,819	4,063	1,651
Rest of world	5,375	4,182	5,049	3,231	1,321
	28,558	20,975	25,549	17,353	9,722
Current	12,302	9,237	10,890	7,915	4,497
Non-current	16,256	11,738	14,659	9,438	5,225
	28,558	20,975	25,549	17,353	9,722
Amortisation in period	6,405	4,801	10,441	7,092	3,703

20. Trade and other receivables

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Current					
Trade receivables	53,407	44,077	47,721	31,970	32,347
Deposits	1,949	2,002	1,361	1,992	1,681
Prepayments and accrued income	13,649	6,182	11,281	5,905	4,069
Total trade and other receivables	**69,005**	**52,261**	**60,363**	**39,867**	**38,097**

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balance.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses that uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 12-24 months before 31 December 2020 and 31 December 2019, and 30 June 2020, 30 June 2019 and 30 June 2018, and the corresponding historical credit losses experienced within these periods. Historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic and other factors affecting the ability of customers to settle the receivables. The Group has identified the Covid pandemic to be the most relevant factor and has accordingly adjusted the historic loss rate.

The expected credit loss provision for accrued income is nil due to the short-term nature of the balances and their respective carrying values.

The Group has recorded an expected credit loss provision for trade receivables as determined under the requirements of IFRS 9, at 30 June 2020 of $4.6 million (30 June 2019: $1.0 million and 30 June 2018: $0.5 million) and at 31 December 2020 of $4.8 million (31 December 2019 of $1.0 million).

The movement in the credit loss provision is as follows:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Expected credit loss provision					
At the beginning of the period	4,605	968	968	525	–
Charge for the year	227	44	4,605	968	525
Provision brought forward utilised	–	–	(968)	(525)	–
Expected credit loss provision at the end of the period	4,832	1,012	4,605	968	525
Receivables written off during the period	196	59	1,707	883	62

The expected credit loss for trade receivables at 30 June 2020, 30 June 2019, 30 June 2018, 31 December 2020 and 31 December 2019 was determined as follows:

	up to 30 days	up to 60 days	up to 90 days	more than 90 days	Total
	$'000	$'000	$'000	$'000	$'000
31 December 2020					
Expected credit loss rate	0.3%	6.8%	7.1%	44.2%	8.3%
Gross carrying amount	39,726	4,936	4,377	9,199	58,239
Lifetime expected credit loss	(136)	(346)	(259)	(4,091)	(4,832)
31 December 2019 (unaudited)					
Expected credit loss rate	0.3%	1.4%	2.9%	15.6%	2.2%
Gross carrying amount	33,920	4,155	1,990	5,026	45,091
Lifetime expected credit loss	(116)	(57)	(57)	(782)	(1,012)
30 June 2020					
Expected credit loss rate	0.5%	6.9%	5.2%	40.8%	8.8%
Gross carrying amount	32,870	6,696	3,402	9,357	52,325
Lifetime expected credit loss	(171)	(436)	(177)	(3.821)	(4,605)
30 June 2019					
Expected credit loss rate	0.7%	4.7%	17.7%	20.0%	2.9%
Gross carrying amount	26,751	2,966	469	2,753	32,939
Lifetime expected credit loss	(194)	(140)	(83)	(551)	(968)
30 June 2018					
Expected credit loss rate	0.1%	0.2%	1.9%	12.7%	1.6%
Gross carrying amount	25,311	3,011	883	3,667	32,872
Lifetime expected credit loss	(37)	(5)	(17)	(466)	(525)

The movement on the provision for impaired receivables has been included in other administrative expenses in the consolidated statement of comprehensive income.

21. Cash and cash equivalents

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	103,912	46,568	53,944	64,443	29,178

The debentures were secured by a fixed and floating charge over the assets of the parent entity.

22. Convertible loan notes ("CLNs")

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Non-current liabilities					
Convertible loan notes (host contract) . . .	98,577	–	–	–	–
Convertible loan notes (embedded derivative)	106,895	–	–	–	–
Total non-current borrowings	**205,472**	**–**	**–**	**–**	**–**

On 1 July 2020, the company issued CLNs to investors for a cash consideration of $163 million (before transaction costs of c. $1 million).

The rate at which interest accrues on the CLNs is dependent on the mechanism by which it will ultimately be redeemed:

- 18% per annum compounded monthly if the CLNs are settled in cash; or
- 9% per annum compounded monthly if the CLNs are converted to equity plus the discount factor noted below.

In both cases, interest will be accrued until such time as the notes are redeemed.

If redemption occurs prior to June 2021, this discount will be 35%. If no redemption occurs by that date, the amount of the discount increases by 1% per month up to a maximum of 55%. The accrued interest is also converted at the applicable interest rate.

In both cases, interest will be accrued until such time as the note is redeemed and accrued interest amounts are eligible to be converted to equity at the applicable conversion discount.

Redemption may occur by any of the following four means:

1. a trade sale of the business (either for cash or equity),
2. conversion to equity if the company issues additional shares,
3. conversion to equity if the Company makes an Initial Public Offering, or
4. redemption in cash no later than June 2024 if none of the above mechanisms have been triggered.

If the CLNs are converted to equity, the accrued liability due to the holder at that point will be grossed up by a discount specified in the terms of the CLNs. If redemption occurs prior to 30 June 2021, this discount will be 35%. The amount of the discount increases by 1% per month up to a maximum of 55%.

The equity conversion and early settlement features included in the CLN's terms constitute an embedded derivative based on the definition set out in IFRS 9.

The CLNs are therefore treated as a hybrid instrument.In such cases, where the embedded derivative is not 'closely related' to the debt host contract, the derivative must be separated from the host and recorded at fair value through the statement of comprehensive income.

IFRS 9 does not define the term 'closely related' but the standard states that, for the embedded derivative to be closely related to the host, its exercise price should broadly equal the amortised cost of the debt host contract. Given the holder is entitled to a minimum discount on conversion that significantly exceeds the interest rate on the debt, the amortised cost of the debt host contract will not equal the exercise price. The embedded derivative and the host contract are therefore separated at initial recognition.

As the instrument is not with an independent 3rd party, the maximum carrying value of all of the components of a hybrid instrument cannot exceed the fair value of consideration received. As a result, the fair value of the embedded derivative is calculated and deducted from the $163 million cash proceeds, with the balance allocated to the initial carrying value of the debt host contract.

The fair value of the derivative at inception is be calculated based on the difference between the amount of equity management estimate will be required to be issued to settle the CLNs at the expected redemption date and the transaction proceeds. The debt host contract will be measured at amortised cost and the effective interest rate is established at inception to accrete the host instrument back to its redemption amount due on 30 June 2024. As a consequence, the effective interest rate is therefore significantly higher than the coupon rate set out in the terms of the CLNs, reflecting the value allocated to the embedded derivative representing the early repayment feature and discount granted to the holder on the occurrence of a settlement event. There are a number of observable IRRs depending upon the time period, ranging from c.20% to c.80%. Taking a mid-point of 40% is considered a reasonable market participant yield on a straight-debt position.

The CLNs are recorded in the statement of financial positions as follows:

	31 Dec 2020	1 July 2020
	$'000	$'000
Value of derivative	106,895	79,535
Host loan	98,577	83,286
Total loan note value	**205,472**	**162,821**

Interest expense is calculated by applying the effective interest rate of 41.6% to the liability component.

23. Recognised fair value measurement

Fair value hierarchy

The following details the judgements and estimates made in determining the fair value of the CLN embedded derivative that is recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- for other financial instruments – discounted cash flow analysis.

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in measuring the value of the CLN embedded derivative that is classified at level 3:

01 -Jul-20			31 -Dec-20		
IPO Time period	**Probabilities**	**Discount rate (Ke)**	**IPO Time period**	**Probabilities**	**Discount rate (Ke)**
10.5 months	60%	40%	4.5 months	65%	40%
1.5 years	10%	Discount rate (Cash loan)	1 year	10%	Discount rate (Cash loan)
2 years	0%	40%	1.5 years	5%	40%
2.5 years	0%	EIR (Cash loan)	2 years	0%	EIR (Cash loan)
4 years	30%	41.60%	3.5 years	20%	41.60%

Valuation techniques used to determine fair value

The specific valuation techniques used to value the CLN embedded derivative is a discounted cash flow analysis.

Valuation process used

- Determine the cash-based return, and separately the equity-based return, over a spectrum of time between 10.5 months from the July Valuation Date (i.e. the expected IPO date as at the Valuation Date) and 4 years from the July Valuation Date,
- Discount the cash redemption amount ($332.7 million) to the expected conversion date at a market yield that assumes there is no conversion feature. There are a number of observable IRRs depending upon the time period, ranging from c.20% to c.80%. Taking a mid-point of 40% is considered a reasonable market participant yield on a straight-debt position,
- Compute the notional gain on the equity conversion, being the additional return over and above the cash-based return. This notional gain is a function of
  - the lower interest rate (9%) accrued on an equity-conversion (compared to 18% on a cash-conversion), and
  - the gross-up of 35% on an equity-conversion (that beyond one year increases by 1% per month to a maximum gross-up of 55%),
- Discount the notional gain to its net present value, over the estimated time period using the discount rate noted above,
- Probability-adjust the outcomes based upon the following time horizon: IPO or equity event after 10.5 months to 2 years; and Cash repayment after 4 years undiscounted, and
- Take the weighted average outcome as the fair value of the embedded derivative.

24. Trade and other payables

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Trade payables	(10,709)	(9,693)	(13,238)	(9,795)	(7,831)
Social security and other taxes	(9,528)	(6,965)	(9,585)	(6,402)	(3,025)
Accruals	(39,560)	(28,372)	(27,659)	(21,438)	(13,249)
Amounts owed to shareholders	–	–	–	–	(1,411)
Total	(59,797)	(45,030)	(50,482)	(37,635)	(25,516)

Accruals includes:

- $7.9 million national insurance or social security accrual ($1.4 million at 31 December 2019 and 30 June 2020, $1.5 million at 30 June 2019 and $1 million at 30 June 2018) related to the share-based payments for UK, US, France and Germany employees.
- $8.4 million US sales tax ($4.8 million at 31 December 2019, $7.1 million at 30 June 2020, $4.8 million at 30 June 2019 and $2.4 million at 30 June 2018).

25. Deferred tax assets and liabilities

At the reporting dates, the Group had significant tax losses in the UK available for offset against future taxable profits. The Group has not recognised a deferred tax asset of approximately $46.8 million at 30 June 2020 (30 June 2019: $38.1 million, 30 June 2018: $33.5 million, 31 Dec 2020: $47.9 million and 31 Dec 2019: $41.5 million) as there is sufficient uncertainty that the losses will be utilised in the foreseeable future.

This unrecognised deferred tax asset is comprised of:

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Fixed Asset timing differences	2,200	800	2,200	(200)	(400)
Short term temporary differences	600	1,400	300	1,600	300
Losses	26,900	24,000	26,900	21,600	19,400
Share based payments	18,200	15,300	17,400	15,100	14,200
Total	47,900	41,500	46,800	38,100	33,500

26. Share based payments

The Company has growth shares and a share option scheme for certain employees. Share options are exercisable at prices determined at the date of grant. All awards vest over three years from the grant date (or contractual commencement date in the case of growth shares) in six-month intervals, (i.e. 1/6 of the Awards will vest every six months over 36 months) subject to continued employment.

Growth shares are equity instruments that allow the holder to participate in the value of a business only where the overall equity value exceeds a hurdle rate. Growth shares are therefore economically similar to vanilla share options where the hurdle acts as a quasi-exercise price. The strike price applying to the options is the same as the hurdle applying to the growth shares. Management's intention is for the terms of the growth shares to mirror the terms of the options.

The valuation model treats the growth shares in a manner identical to options for valuation purposes, assuming an exercise date of four years from grant.

The share option scheme is accounted for as an equity settled share-based payment transaction.

Share based payment charges have been made in the Consolidated statement of comprehensive income within the following functional areas.

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Sales and marketing	2,767	2,247	4,762	2,839	919
Research and development	940	1,332	2,522	1,739	774
Other administrative	2,103	1,353	3,072	2,180	593
Total share-based payment expense	5,810	4,932	10,356	6,758	2,286

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	31-Dec-20		31-Dec-19 Unaudited		30-Jun-20		30-Jun-19		30-Jun-18	
	WAEP $	Options Number	WAEP $	Options Number	WAEP $	Options Number	WAEP $	Options Number	WAEP $	Options Number
Outstanding at 1 July	296.74	252,121	234.51	220,824	234.51	220,824	100.67	179,047	38.52	159,600
Granted	716.48	42,450	716.48	4,000	716.48	37,325	703.87	51,925	411.90	33,000
Lapsed	635.80	(3,275)	657.44	(3,175)	622.46	(5,808)	454.86	(5,850	179.82	(9,509)
Exercised	543.77	(225)	706.96	(140)	449.89	(220)	29.55	(4,298)	1.44	(4,044)
Outstanding at year or period end	353.95	291,071	236.85	221,509	296.74	252,121	234.51	220,824	100.67	179,047
Exercisable at period end	188.53	197,142	111.80	180,615	145.34	180,684	73.21	154,330	28.67	133,902

The table below presents the weighted average remaining contractual life ('WACL') and the price range for the options outstanding at each period end:

	31-Dec-20 WACL	31-Dec-20 Options number	31-Dec-19 (unaudited) WACL	31-Dec-19 (unaudited) Options number	30-Jun-20 WACL	30-Jun-20 Options number	30-Jun-19 WACL	30-Jun-19 Options number	30-Jun-18 WACL	30-Jun-18 Options number
Range of exercise prices										
$0.01 to $57.01	3.62	113,220	4.62	113,300	4.12	113,220	5.13	113,300	6.13	116,806
$102.49 to $166.41	5.59	29,941	6.60	30,624	6.10	30,191	7.11	30,624	8.10	32,166
$363.15 to $342.10	7.00	16,150	8.00	16,650	7.50	16,400	8.51	16,650	9.51	18,950
$522.19 to $553.52	7.41	10,975	8.42	11,400	7.92	11,275	8.92	12,300	9.88	11,125
$690.77 to $716.48	8.97	120,785	9.26	49,535	9.09	81,035	9.73	47,950	–	–
	6.38	291,071	6.38	221,509	6.35	252,121	6.87	220,824	7.07	179,047

The fair value of share-based payments has been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from grant to exercise based on management's best estimate. The following assumptions were used in the model for options granted during the financial years ended 30 June 2020, 2019 and 2018 and the six-month periods ended 31 December 2020 and 31 December 2019.

	31-Dec-20	31-Dec-19 Unaudited	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Average share price at grant date ($)	716.48	716.48	716.48	690.46	434.62
Exercise price ($)	716.48	716.48	716.48	690.46	434.62
Fair value per option ($)	228.67	241.69	241.69	319.99	211.94
Expected life in years	4	4	4	5-8	8
Expected volatility (%)	40%	40%	40%	45%-50%	50%
Risk-free interest rate range (%) .	0.35%-0.43%	1.25%-1.785%	0.35%-1.785%	2%	1.50%
Cancellation rate (%)	17%	15%	17%	15%	10%
Dividend yield (%)	–%	–%	–%	–%	–%

27. Share capital and share premium

Share capital	Number of ordinary shares of £0.01 each	Number of preference shares of £0.01 each	Number of deferred shares of £0.01 each	Number of growth shares £0.01 each	Total number of shares	Share capital $'000	Share premium $'000
At 1 July 2020	1,761,619	364,264	119,288	32,225	2,277,396	29	170,402
Share cancellation	(177,343)	–	–	–	(177,343)	(2)	(127,061)
Shares issued in the period . . .	225	–	–	37,100	37,325	–	212
Transfers	–	–	575	(575)	–	–	–
At 31 December 2020	1,584,501	364,264	119,863	68,750	2,137,378	27	43,553
At 1 July 2019	1,761,399	364,264	118,888	–	2,244,551	27	170,264
Shares issued in the period . . .	140	–	–	3,000	3,140	–	103
At 31 December 2019 (unaudited)	1,761,539	364,264	118,888	3,000	2,247,691	27	170,367
At 1 July 2019	1,761,399	364,264	118,888	–	2,244,551	27	170,264
Shares issued in the year	220	–	–	32,625	32,845	2	138
Transfers	–	–	400	(400)	–	–	–
At 30 June 2020	1,761,619	364,264	119,288	32,225	2,277,396	29	170,402
At 1 July 2018	1,757,101	294,478	118,888	–	2,170,467	31	131,533
Shares issued in the year	4,298	69,786	–	–	74,084	2	50,088
At 30 June 2019	1,761,399	364,264	118,888	–	2,244,551	33	181,621
Effect of change in functional currency	–	–	–	–	–	(6)	(11,357)
At 1 July 2019	1,761,399	364,264	118,888	–	2,244,551	27	170,264
At 1st July 2017	1,753,057	160,713	118,888	–	2,032,658	30	81,783
Shares issued in the year	4,044	133,765	–	–	137,809	1	49,750
At 30 June 2018	1,757,101	294,478	118,888	–	2,170,467	31	131,533

The preference shares are not redeemable. The holders of preference shares are not entitled to receive preferential dividends and are entitled to one vote per share.

All shares rank pari passu in all respects except:

- growth shares hold no voting rights or rights to distribution and, on a liquidation, are entitled to receive the amount above the hurdle set on them pari passu with the amount payable to each ordinary share,
- deferred shares hold no voting rights or rights to distribution and are entitled to receive £1.00 for the entire class in preference to any payment to the ordinary shares on liquidation, and
- preference shares have a liquidation preference up to their subscription price.

Reconciliation of number of shares reserved for issue under share options' scheme:

	31-Dec-20	**31-Dec-19**	**30-Jun-20**	**30-Jun-19**	**30-Jun-18**
Unvested options outstanding	197,601	168,948	180,684	154,330	133,902
Vested options outstanding	93,470	52,561	71,437	66,494	45,145
Total options outstanding	291,071	221,509	252,121	220,824	179,047
Shares available for grant	1,244	44,216	13,614	44,884	77,400
Total shares reserved for stock incentive plans	292,315	265,725	265,735	265,708	256,447
Ordinary shares issued	1,584,501	1,761,539	1,761,619	1,761,399	1,757,101
Preference shares issued	364,264	364,264	364,264	364,264	294,478
Total shares	1,948,765	2,125,803	2,125,883	2,125,663	2,051,579

28. Changes in liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Notes	**Lease liabilities**	**Convertible loan (host contract)**	**Convertible loan (embedded derivative)**	**Other**	**Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2019		(31,295)	–	–	–	(31,295)
Changes from financing cash flow						
Repayment of lease liabilities	18	2,085	–	–	–	2,085
Interest payment	10	1,164	–	–	–	1,164
Other changes						
Interest expense	10	(1,164)	–	–	–	(1,164)
New leases	18	(381)	–	–	–	(381)
Foreign exchange movements		(213)	–	–	–	(213)
At 31 December 2019 (unaudited)		**(29,804)**	–	–	–	**(29,804)**
At 1 July 2020		**(35,546)**	–	–	–	**(35,546)**

	Notes	Lease liabilities	Convertible loan (host contract)	Convertible loan (embedded derivative)	Other	Total
		$'000	$'000	$'000	$'000	$'000
Changes from financing cash flows						
Proceeds from issue of convertible bonds	22	–	(83,286)	(79,535)	–	(162,821)
Repayment of lease liabilities	18	2,641	–	–	–	2,641
Interest payment	10	1,383	–	–	–	1,383
Other changes						
Interest expense	10	(1,383)	–	–	–	(1,383)
New leases	18	(4,038)	–	–	–	(4,038)
Change in fair value	22	–	–	(27,360)	–	(27,360)
Effective interest rate on host loan	22	–	(15,291)	–	–	(15,291)
Foreign exchange movements		(1,768)	–	–	–	(1,768)
At 31 December 2020 (unaudited)		**(38,711)**	**(98,577)**	**(106,895)**	**–**	**(238,984)**
At 1 July 2017		**(13,408)**	**–**	**–**	**(5,199)**	**(18,607)**
Changes from financing cash flows						
Repayment of lease liabilities	18	1,288	–	–	–	1,288
Repayment to shareholder	-	–	–	–	(1,411)	(1,411)
Interest payment	10	1,262	–	–	–	1,262
Other changes						
Interest expense	10	(1,262)	–	–	–	(1,262)
New leases	18	(4,993)	–	–	–	(4,993)
Foreign exchange movements		(79)	–	–	–	(79)
At 30 June 2018		**(17,192)**	–	–	**(1,411)**	**(18,603)**
At 1 July 2018		**(17,192)**	**–**	**–**	**(1,411)**	**(18,603)**
Changes from financing cash flows						
Repayment of lease liabilities	18	2,947	–	–	–	2,947
Repayment to shareholder		–	–	–	1,411	1,411
Interest payment	10	2,224	–	–	–	2,224
Other changes						
Interest expense	10	(2,224)	–	–	–	(2,224)
New leases	18	(17,778)	–	–	–	(17,778)
Foreign exchange movements		728	–	–	–	728
At 30 June 2019		**(31,295)**	–	**–**	**–**	**(31,295)**
At 1 July 2019		**(31,295)**	–	–	**–**	**(31,295)**
Changes from financing cash flows						
Repayment of lease liabilities	18	4,519	–	–	–	4,519
Interest payment	10	2,405	–	–	–	2,405
Other changes						
Interest expense	10	(2,405)	–	–	–	(2,405)
New leases	18	(9,178)	–	–	–	(9,178)
Foreign exchange movements		408	–	–	–	408
At 30 June 2020		**(35,546)**	**–**	**–**	**–**	**(35,546)**

29. Related party transactions and controlling related party

There were no related party transactions with Directors to disclose in any of the periods presented.

Key management remuneration

The Group considers there to be five key management personnel, two of whom are or will be executive directors of the Group, who exert control over the strategy and direction of the Group. Their costs in the period were as follows:

	For the 6 months ended			For the year ended	
	31-Dec-20	Unaudited 31-Dec-19	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000
Waves and salaries	918	488	1,063	798	792
Social security costs	131	42	99	84	77
Pension costs	20	10	27	16	10
Share based payments	1,049	81	639	43	108

Short term employee benefits of the Group's key management personnel include salaries and non-cash benefits. Long term benefits include payments to defined contribution pension scheme only.

On 7 August 2020, four of the Directors of the Company received shares in the Company from ICP Darktrace Holdings Limited (see note 4 for further details).

The interest of these Directors in the share capital of the Company on both 7 August 2020 and 31 December 2020 were as follows:

	Ordinary shares Number	Preference shares Number
Directors	$'000	$'000
Vanessa Colomar	28,620	–
Andrew Kanter	23,712	–
Philip Pearson	11,423	–
Poppy Gustafsson	10,816	–

In addition, two members of the Group's Key management personnel who are not Directors of the Company received a total of 60,431 shares in the Company from the distribution of shares from ICP Darktrace Holdings Limited.

Other related party disclosures

The Company has made payments to ICP London Limited for management support services provided under the supply of services agreement (see note 4 above). The Company has sublet part of its office space to ICP London Limited, its subsidiaries and its affiliated company Luminance Technologies Ltd, for a number of years. The other income received from these subletting arrangements are set out in the table below.

ICP London Limited has been determined to have had significant influence over the Company and to have been a related party from 1st July 2017 to 12th February 2018. ICP London Limited was not a related party from 13 February 2018 to 31 December 2020.

Management has disclosed details of all transactions with ICP London Limited, its subsidiaries and its affiliated company, Luminance Technologies Ltd, for all the periods covered by this Historical Financial Information.

	Transaction value For the period ended		Balances outstanding For the period ended	
	31-Dec-20	31-Dec-19 Unaudited	31-Dec-20	31-Dec-19
	$'000	$'000	$'000	$'000
Fees paid to ICP London Limited for Management support services	1,559	1,502	–	–
Recharge of staff expenditure from ICP London Limited	100	205	–	–
Income from recharge of office space to ICP London Limited, its subsidiaries and affiliated company	(92)	(91)	–	–
Recharge of marketing expenditure from ICP London Limited	–	–	–	–
Recharge of CLNs legal fees from ICP Darktrace Holdings Limited	326	–	–	–
	1,893	**1,616**	**–**	**–**

	Transaction value For the year ended			Balances outstanding For the year ended		
	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000	$'000
Fees paid to ICP London Limited for Management support services	3,028	2,110	2,406	–	–	–
Recharge of staff expenditure from ICP London Limited	318	350	235	–	–	–
Income from recharge of office space to ICP London Limited its subsidiaries and affiliated company	(188)	(324)	(660)	–	–	–
Recharge of marketing expenditure from ICP London Limited	–	108	203	–	–	–
Recharge of CLNs legal fees from ICP Darktrace Holdings Limited	–	–	–	–	–	–
	3,158	**2,244**	**2,184**	**–**	**–**	**–**

The group has earned the following revenues from investors and affiliated companies.

	Transaction value For the period ended		Balances outstanding For the period ended	
	31-Dec-20	31-Dec-19 Unaudited	31-Dec-20	31-Dec-19
	$'000	$'000	$'000	$'000
Revenues received from investors	113	33	–	–
Revenues received from affiliated entities of investors	14	13	–	–
	127	**46**	**–**	**–**

	Transaction value For the year ended			Balances outstanding For the year ended		
	30-Jun-20	30-Jun19	30-June-18	30-Jun-20	30-Jun-19	30-Jun-18
	$'000	$'000	$'000	$'000	$'000	$'000
Revenues received from investors	67	53	28	–	3	7
Revenues received from affiliated entities of investors	27	17	–	–	–	–
	94	**70**	**28**	**–**	**3**	**7**

All outstanding balances with these parties are expected to be settled in cash within 2 months of the reporting date. None of the balances are secured. No expense for bad or doubtful debts in respect of amounts owed by these parties has been recognised in the periods covered by this Historical Financial Information. No guarantees have been provided to or received from these parties.

30. Capital commitments

The Group had no capital commitments at any of the presented reporting periods.

31. Group information

The historical financial information is the consolidation of the below subsidiaries:

Subsidiary	Country of registration	Year of incorporation	Class of share capital held	Proportion held by the Company	Nature of business
Darktrace, Inc.	USA	2013	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Singapore Pte Ltd.	Singapore	2015	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Australia Pty Ltd.	Australia	2015	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace South Africa Ltd.	South Africa	2016	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Japan KK	Japan	2017	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace SAS	France	2019	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Ireland Limited	Ireland	2019	Common shares	100%	Sales and marketing of cyber defence technology and building and shipping of appliances
Darktrace Hong Kong Ltd	Hong Kong	2019	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Colombia SAS	Colombia	2019	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Mexico, SA De CV	Mexico	2020	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Germany GmbH	Germany	2020	Common shares	100%	Sales and marketing of cyber defence technology
Darktrace Canada, Inc	Canada	2020	Common shares	100%	Sales and marketing of cyber defence technology

Darktrace Holdings Limited has also had a Branch office in Dubai, since 2019.

32. Subsequent events

The Group entered into a multi-currency $25 million Revolving Credit Facility agreement with Silicon Valley Bank on 15 January 2021 with a maturity of 15 January 2023. Interest charged is subject to an all-in floor of 3.75% and the facility contains a letter of credit sublimit of $10 million equivalent. Other than for letters of credit primarily securing office lease obligations, as and when drawn, uses are for general corporate and working capital purposes.

Part 10

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors (whose names and functions appear on page 31 of this Registration Document), and the Company, accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, the information contained in this Registration Document is in accordance with the facts and makes no omission likely to affect the import of such information.

2. INCORPORATION AND SHARE CAPITAL

2.1 ***Incorporation***

The Company was incorporated and registered in England on 12 March 2021 as a public company limited by shares with registered number 13264637 and legal entity identifier 213800PC5S5P9CSNFC89. On 30 March 2021, the Company was re-registered with the name Darktrace plc.

The Company's registered office and its principal place of business is at Maurice Wilkes Building St John's Innovation Park, Cowley Road, Cambridge, United Kingdom, CB4 0DS. The Company's telephone number is +44 1223 394 100 and its website is www.darktrace.com. The contents of the Company's website do not form part of this Registration Document, unless that information is specifically incorporated by reference into the Registration Document.

The principal laws and legislation under which the Company operates and the Shares have been created is the Act and regulations made thereunder.

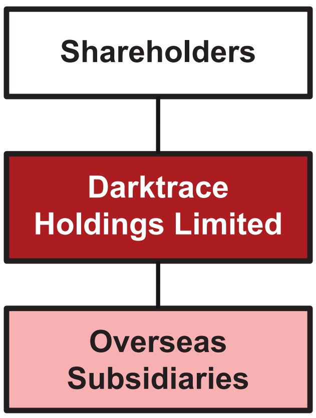
2.2 ***Share capital***

On incorporation, the share capital of the Company was £50,000.01, comprised of one share of £0.01 par value, which was issued and outstanding, and 50,000 redeemable preference shares of £1.00 each in the Company. It is expected that, following Admission, all the redeemable preference shares will be redeemed out of the distributable reserves of the Company.

As at the date of this Registration Document, the issued and outstanding ordinary share capital of the Company is comprised of one Share of £0.01 (fully paid) and 50,000 redeemable preference shares of £1.00 each.

The Company is proposing to undertake an initial public offering of the Shares and in connection with Admission, the Company intends to undertake certain steps as part of a reorganisation of the Company's share capital and other corporate actions as outlined below (the "**Reorganisation**").

As of the date of this Registration Document, the shareholding and corporate structure of the Company, the companies involved in the Reorganisation and the companies referred to in this Registration Document, is as follows:



In connection with Admission, Darktrace Holdings Limited (which is currently the ultimate holding company of the Group) intends to undertake a reorganisation of its share capital and certain other actions pursuant to which Darktrace plc will become the new holding company of the Group (the "**Reorganisation**").

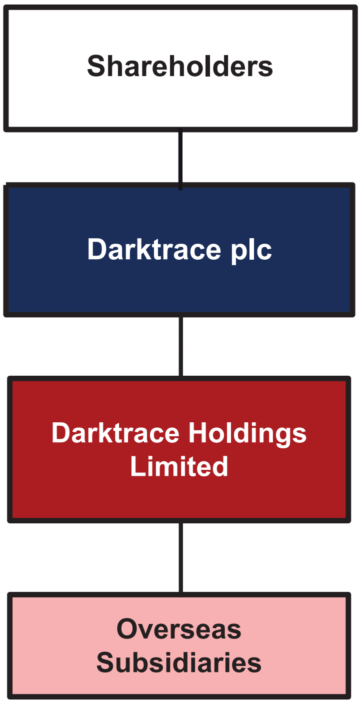
On 12 March 2021, Darktrace plc was incorporated as a public company limited by shares, with one ordinary share of £0.01 and 50,000 redeemable preference shares of £1.00 each. Richard Eaton, the General Counsel of the Group (the "**Initial Subscriber**") was the sole shareholder of Darktrace plc upon incorporation.

Prior to Admission: (i) Darktrace Holdings Limited will re-designate its existing classes of shares (other than the redeemable preference shares to be issued to the Initial Subscriber) as ordinary shares; and (ii) the senior unsecured convertible loan notes with an aggregate principal amount of $162,821,388 issued by Darktrace Holdings Limited in July 2020 will be converted into ordinary shares of Darktrace Holdings Limited.

As part of the Reorganisation, Darktrace plc intends to enter into a share exchange agreement with Darktrace Holdings Limited and each shareholder of Darktrace Holdings Limited (the "**Share Exchange Agreement**"). Pursuant to the Share Exchange Agreement, immediately prior to Admission, each shareholder of Darktrace Holdings Limited will transfer its shares to the Darktrace plc in consideration for the allotment and issue of new shares in Darktrace plc. The new Shares to be allotted and issued under the Share Exchange Agreement will be allotted on the basis of an agreed number of Shares for each one existing ordinary share in Darktrace Holdings Limited.

In addition, the options over shares in Darktrace Holdings Limited granted to certain directors, employees and former employees of the Group under the Darktrace Holdings Limited Company Discretionary Share Option Scheme 2013 will be amended such that the option holders in Darktrace Holdings Limited will instead become entitled to options over such number of Shares as they currently hold options over with respect to Darktrace Holdings Limited, pursuant to the Darktrace Holdings Limited Company Discretionary Share Option Scheme 2013.

Immediately following the completion of the Reorganisation and prior to and subject to Admission, the shareholding and corporate structure of Darktrace plc and the companies and shareholders involved in the Reorganisation will be as follows (reflecting the addition of the Company to the holding structure):



3. ARTICLES OF ASSOCIATION

The Articles of the Company at the date of this Registration Document are customary for a public company incorporated in England.

The Company intends to amend or replace its Articles with provisions to the following effect:

3.1 *Objects*

The objects of the Company, in accordance with section 31(1) of the Act, are unrestricted.

3.2 *Limited liability*

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

3.3 *Rights attaching to shares*

Voting rights of members

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present) the provisions of the Act shall apply in relation to voting rights. On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

Dividends

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.

Return of capital

If the Company is in liquidation, the liquidator may, with the authority of a special resolution of the Company and any other authority required by any applicable statutory provision (A) divide among the members in specie the whole or any part of the assets of the Company, and for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; or (B) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator, with the necessary authority, shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

Capitalisation of reserves

The Board may, with the authority of an ordinary resolution of the Company: (A) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including the share premium account and capital redemption reserve) or any sum standing to the credit of the profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of shares in proportion to the nominal amount of the share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account, the capital redemption reserve, any redenomination reserve and any sum not available for distribution in accordance with the applicable statutory provisions may only be applied in paying up shares to be allotted credited as fully paid up.

3.4 ***Issue of shares***

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Act, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed) but any authority given under this article shall allow the Company, before the authority expires, to make an offer or agreement which would or might require shares to be allotted or rights to be granted after it expires. Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Act did not apply to the allotment but that power shall be limited: (i) to the allotment of equity securities in connection with a rights issue; and (ii) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution. Unless previously revoked, that power shall (if so provided in the special resolution) expire on the date specified in the special resolution of the Company but the Company may before the power expires make an offer or agreement which would or might require equity securities to be allotted after it expires.

3.5 ***Alteration of share capital***

The Company may exercise the powers conferred by the applicable statutory provisions to increase its share capital by allotting new shares; reduce its share capital; sub-divide or consolidate and divide all or any of its share capital; redenominate all or any of its shares and reduce its share capital in connection with such redenomination; issue redeemable shares and purchase all or any of its shares of any class including any redeemable shares.

3.6 ***Variation of class rights***

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares.

3.7 ***Transfer of Ordinary Shares***

A member may transfer all or any of his shares in any manner that is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertified shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up but, in the case of a class of shares which has been admitted to the Official List of the FCA, not so as to prevent dealings in those shares from taking place on an open and proper basis or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer the shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board shall provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

3.8 ***Disclosure of interests in Ordinary Shares***

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in section 793 of the Act (the "**Section 793 Notice**") and, in respect of that share (a "**Default Share**"), has been in default for a period of 14 days after the Section 793 Notice has been given in supplying to the Company the information required by the Section 793 Notice, the following restrictions shall apply: (a) if the Default Shares in which any one person is interested or appears to the Company to be interested represent less than 0.25% of the issued shares of the class, the holders of the Default Shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (b) if the Default Shares in which any one person is interested or appears to the Company to be interested represent at least 0.25% of the issued shares of the class, the holders of the Default Shares shall not be entitled, in respect of those shares (i) to attend or to vote, either personally or by proxy, at any general meeting of the Company or (ii) to receive any dividend or other distribution or (iii) to transfer or agree to transfer any of those shares or any rights in them.

The above restrictions shall continue for the period specified by the Board, being not more than seven days after the earlier of (i) the Company being notified that the Default Shares have been sold pursuant to an exempt transfer; and (ii) due compliance, to the satisfaction of the Board, with the Section 793 Notice. The Board may waive these restrictions, in whole or in part, at any time. The restrictions shall not prejudice the right of either the member holding the Default Shares or, if different, any person having a power of sale over those shares to sell or agree to sell those shares under an exempt transfer.

3.9 ***Forfeiture of shares***

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

3.10 ***Uncertificated shares—general powers***

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with (i) any applicable statutory provision or (ii) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system, shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form shall be treated as a separate holding from shares held by that person in certificated form but shares of a class held by a person in uncertificated form shall not be treated as a separate class from shares of that class held by that person in certificated form.

3.11 ***Communications by the Company***

Subject to the applicable statutory provisions and other rules applicable to the Company, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned (in accordance with the applicable statutory provisions and other rules applicable to the Company) that it has been made available. A member shall be deemed to have agreed that the Company may send or supply a document or information by means of a website if the applicable statutory provisions have been satisfied.

3.12 ***General meetings***

An annual general meeting shall be held in accordance with the statutory provisions. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the applicable statutory provisions.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of the Company shall be two qualifying persons, representing different members and entitled to vote on the business to be transacted at the meeting. A qualifying person is an individual who is a member of the Company, a corporate representative or a proxy.

3.13 ***Directors***

Election, Retirement and Removal of Directors

The Directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than 15 in number.

A Director need not be a member of the Company.

Subject to the Articles, the Company may by ordinary resolution elect any person who is willing to act to be a director, either to fill a vacancy or as an additional director, but so that the total number of directors shall not exceed any maximum number fixed by or in accordance with the Articles.

Every resolution of a general meeting for the election of a director shall relate to one named person and a single resolution for the election of two or more persons shall be void, unless a resolution that it shall be so proposed has been first agreed to by the meeting without any vote being cast against it. The Board may appoint any person who is willing to act to be a director, either to fill a vacancy or by way of addition to their number, but so that the total number of directors shall not exceed any maximum number fixed by or in accordance with the Articles.

No person (other than a director retiring in accordance with the Articles) shall be elected or re-elected a director at any general meeting unless (i) he or she is recommended by the Board or (ii) not less than 14 nor more than 42 days before the date appointed for the meeting there has been given to the Company, by a member (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the election of that person, stating the particulars which would, if he or she were so elected, be required to be included in the Company's register of directors and a notice executed by that person of his willingness to be elected.

At each annual general meeting every director shall retire from office. A retiring director shall be eligible for re-election, and a director who is re-elected will be treated as continuing in office without a break. A retiring director who is not re-elected shall retain office until the close of the meeting at which he retires. If the Company, at any meeting at which a director retires in accordance with the Articles, does not fill the office vacated by such director, the retiring director, if willing to act, shall be deemed to be re-elected, unless at the meeting a resolution is passed not to fill the vacancy or to elect another person in his place or unless the resolution to re-elect him or her is put to the meeting and lost.

The Company may by special resolution, or by ordinary resolution of which special notice has been given in accordance with the applicable statutory provisions, remove any director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him or her and the Company. A director may also be removed from office by giving him notice to that effect signed by or on behalf of not less than three quarters of the other directors (or their alternates). Any such removal of a director shall be without prejudice to any claim which such director may have for damages for breach of any agreement between him or her and the Company.

Conflicts of interest

If a situation (a "**Relevant Situation**") arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest) the following provisions shall apply if the conflict of interest does not arise in relation to a transaction or arrangement with the Company: (i) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of the Company, the Directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine; (ii) if the Relevant Situation arises in circumstances other than in paragraph (i) above, the Directors (other than the director and any other director with a similar interest who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the Relevant Situation and the continuing performance by the director of his duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

(a) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;

(b) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and

(c) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.

Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:

(a) enter into or be interested in any transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;

(b) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director for such period (subject to applicable statutory provisions) and upon such terms as the Board may decide and be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles;

(c) act by himself or his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director;

(d) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested. The Board may cause the voting rights conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of that other company to be exercised in such manner in all respects as it thinks fit (including the exercise of voting rights in favour of any resolution appointing the Directors or any of them as directors or officers of the other company or voting or providing for the payment of any benefit to the Directors or officers of the other company); and

(e) be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.

Remuneration

The Non-Executive Directors shall be paid such fees not exceeding in aggregate £2 million per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the Board may decide to be divided among them in such proportion and manner as they may agree or, failing agreement, equally. Any such fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and shall accrue from day to day.

The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission, participation in profits or otherwise as the Board may decide in addition to any remuneration payable under or pursuant to any other of the Articles.

A director shall be paid out of the funds of the Company all travelling, hotel and other expenses properly incurred by him in and about the discharge of his duties, including his expenses of travelling to and from Board meetings, committee meetings and general meetings. Subject to any guidelines and procedures established from time to time by the Board, a director may also be paid out of the funds of the Company all expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a director.

The Board may exercise all the powers of the Company to:

(a) pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any corporate body which is or was associated with the Company or of the predecessors in business of the Company or any such associated body corporate, or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement and the payment of any insurance premiums;

(b) establish, maintain, adopt and enable participation in any profit sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of the Company or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and

(c) support and subscribe to any institution or association which may be for the benefit of the Company or of any associated body corporate or any directors or employees of the Company or associated body corporate or their relatives or dependants or connected with any town or place where the Company or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.

Indemnity

As far as the applicable statutory provisions allow, the Company may:

(a) indemnify any director of the Company (or of an associated body corporate) against any liability;

(b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;

(c) purchase and maintain insurance against any liability for any director referred to in paragraphs (a) or (b) above; and

(d) provide any director referred to in paragraphs (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

Proceedings of the Board

A director may at any time, and the secretary may at the request of a director, call a meeting of the Board. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meeting as it thinks fit. This includes at a meeting which consists of a conference between directors some or all of whom are in different places provided that each director may participate in the business of the meeting by any means which allows him both to hear each of the other participating directors (or receive real time communications made by them), and, if he so wishes, to address all of the other participating directors simultaneously (or otherwise communicate in real time with them).

The quorum for Board meetings, unless fixed by the Board at any other number, shall be two. A Board meeting at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a chair and one or more deputy chairs and may at any time revoke such an appointment. The chair, or failing him/her, any deputy chair (the longest in office taking precedence, if more than one is present), shall, if present and willing, preside at all Board meetings but, if no chair or deputy chair has been appointed, or if he/she is not present within five minutes after the time fixed for holding the meeting or is unwilling to act as chair of the meeting, the Directors present shall choose one of their number to act as chair of the meeting.

Questions arising at a Board meeting shall be determined by a majority of votes and, in the case of equality of votes, the chair of the meeting shall have a second or casting vote. A resolution which is signed or approved by all the Directors entitled to vote on that resolution shall be valid and effectual as if it had been passed at a Board meeting duly called and constituted.

All acts bona fide done by a meeting of the Board, or of a committee, or by any person acting as a director or committee member, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or committee or of the person so acting, or that they or any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified to be a director and had continued to be a director or member of the committee and had been entitled to vote.

3.14 ***Borrowing powers***

There is no requirement on the Directors to restrict the borrowing of the Company or any of its subsidiary undertakings.

3.15 ***Dividends***

Declaration of dividends

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

Fixed and interim dividends

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

Calculation and currency of dividends

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (c) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

Dividends not to bear interest

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

Calls or debts may be deducted from dividends

The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

Dividends in specie

With the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

Scrip dividends

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution (a scrip dividend) in accordance with the provisions of the relevant provisions of the Articles.

Unclaimed dividends

Any dividend unclaimed for a period of twelve years after having been declared shall be forfeited and cease to remain owing by the Company.

4. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

None of the Directors or Senior Managers has any interests in the share capital of the Company as at the date of this Registration Document.

No Director has or has had any interest in any transactions that are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and that were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and that remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

5. MAJOR INTERESTS IN SHARES

As at the date of this Registration Document, insofar as is known to the Company, the following persons are interested in 3% or more of the Company's share capital:

Major Shareholders	Number of Shares	Percentage of issued ordinary share capital
Richard Eaton	1	100

Following the Reorganisation as described in section 2 of Part 10 of the Registration Document, it is intended that the following persons will be interested in 3% or more of the Company's share capital:

Major Shareholders	Number of Shares[(1)]	Percentage of issued ordinary share capital
Summit DT Equity Holdings 3 LP and Summit DT CLN Holdings 4	527,126	21.99
Angela Bacares[(2)]	321,577	13.42
KKR DA	283,940	11.85
Deep Defence S.à.r.l.	127,367	5.31
Michael Lynch[(3)]	123,047	5.13

Notes:

(1) The interests of Shares have been stated on a fully diluted basis (including options and growth shares).

(2) Angela Bacares and Michael Lynch are deemed to be acting in concert with each other, as they are married to each other.

Save as disclosed above, in so far as is known to the Company, there is no other person who is directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of that may at a subsequent date result in a change of control of the Company.

All shareholders in the Company have the same voting rights attached to the shares they hold in the Company.

6. DIRECTORS' TERMS OF SERVICE

The Directors and their functions are set out in Section 1 of Part 6: "*Directors, Senior Managers and Corporate Governance*". Prior to Admission, the Company will enter into appropriate service agreements with each of the Executive Directors.

6.1 *Letters of Appointment*

Gordon Hurst has been appointed as the chair and Non-Executive Director and Vanessa Colomar, Stephen Shanley, Johannes Sikkens, Lord Willetts, Paul Harrison and Sir Peter Bonfield have each been appointed as Non-Executive Directors pursuant to appointment letters entered into with effect from 1 April 2021. The Non-Executive Directors will be appointed for an initial term of three years. Continuation of their appointment is dependent upon satisfactory performance and re-election by Shareholders at each annual general meeting of the Company.

The Company may terminate a Non-Executive Director's appointment immediately in certain circumstances, in accordance with the letter of appointment, including where the Non-Executive Director commits a material breach of its obligations under the appointment letter or where the Director has been disqualified from acting as a director or ceases to be a director in accordance with the Articles or the Act.

The Chair will receive a fee of £200,000 per annum for carrying out his duties as chair and Non-Executive Director of the Company (including for serving as a chair or member of any committee).

Each Independent Non-Executive Director receive:

- an annual fee of £60,000 each for carrying out their duties as Directors of the Company, payable quarterly in arrears; and
- a fee of £7,500 per annum for serving as a member of any committee constituted by the board, an additional fee of £7,500 per annum for serving as a chair of the audit committee and the remuneration committee, and an additional fee of £3,750 per annum for serving as a chair of the nomination committee.

Pursuant to sections 439 and 439A of the Act, the Chair's and Non-Executive Directors' remuneration will be subject to shareholder approval. In the event that such approval is not obtained when required, the appointment letters provide that they will have no entitlement to compensation or damages in respect of loss suffered as a consequence.

The Company shall reimburse the Non-Executive Directors for any reasonable travel and other expenses incurred in connection with the carrying out of their duties pursuant to the letters of appointment. In addition, each letter of appointment contains obligations of confidentiality and restrictions on conflicts. Each Non-Executive Director is required to allocate sufficient time to discharge his or her responsibilities effectively.

In addition, the Company has entered into an indemnification agreement with each of the Non-Executive Directors, under which the Company has undertaken to indemnify and exculpate the Non-Executive Directors to the fullest extent permitted under the Act.

6.2 *Directors' and Senior Managers' Remuneration*

Directors

The following table sets out the pre-tax remuneration for the Executive Directors for the financial year ended 30 June 2020:

Name	Wages and salary	Social security costs	Pension costs	Share based payment charge	Total
			In USD		
Poppy Gustafsson	304,328	37,947	9,593	2,348	354,218
Catherine Graham	149,670	19,157	5,004	330,462	504,294

The following table sets out the remuneration for the Non-Executive Directors for the financial year ended 30 June 2020:

Name	Fees
Gordon Hurst	$70,181

Senior Managers

The aggregate remuneration paid (including salary and other benefits) to the Senior Managers of the Group for the financial year ended 30 June 2020 was $965,222, all of which comprised salaries, pension, bonus, share based payments, Private medical insurance, social security and medicare.

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Registration Document.

6.3 *Directors' and Senior Managers' current and past directorships and partnerships*

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and/or any other company in the Group), in the five years prior to the date of this Registration Document:

Name	Current directorships/partnerships	Past directorships
Gordon Hurst	Featurespace Limited Marston Holdings Limited Azets	Motorpoint Group plc
Poppy Gustafsson	University of Cambridge Library	–
Catherine Graham	Plated, Inc Affirmed Networks, Inc	
Vanessa Colomar	Luminance Technologies Ltd	–

Name	Current directorships/partnerships	Past directorships
Stephen Shanley . .	Kohlberg Kravis Roberts & Co. Partners LLP Zwift Inc. ReliaQuest, LLC KnowBe4, Inc. OutSystems Holdings S.A. Girona Lux Aggregator S.à r.l. Girona TopCo S.à r.l. GYG S.à r.l. KKR Click Investors Limited Feedzai – Consultadoria e Inovação Tecnológica, S.A.	Ivalua S.A.S. ClickTale (UK) Limited GetYourGuide AG Omega Luxco S.à r.l. Valeur Investors S.à r.l.
Johannes Sikkens	Summit Partners (UK) Advisory Limited MUBI Inc Red Points Syncron LEIA 1 Limited	Siteimprove Flow Traders OnRobot Relex Solutions Avast Holdings Masternaut Holdings Limited Masternaut Group Holdings Limited Masternaut Bidco Limited Advance Holdco Limited Acturis Group Limited Acturis International Limited Welltec International
Lord Willetts	The Biotech Growth Trust Plc Marchmount Executive Services Ltd Sirius Constellation Ltd	Genome Research Limited The Francis Crick Institute Limited The Council For Industry and Higher Education
Paul Harrison	Ascential plc	Hungryhouse.com Ltd Orogo Limited Just Eat plc and certain of its subsidiaries Everyday Ventures Limited Flyt Limited Practi Technologies Ltd City Pantry Ltd Nifty Nosh Limited
Sir Peter Bonfield .	Imagination Technologies Group Limited NXP Semiconductors TSMC Truchas Associates Limited	Mentor Graphics Ericsson
David Palmer	–	–
Nicole Eagan	–	–
Jack Stockdale . . .	–	–

Save as described below, within the period of five years preceding the date of this Registration Document, none of the Directors or Senior Managers:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership, liquidation or administration of such company; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

7. EMPLOYEE SHARE PLAN

Were the Company to undertake a listing, there has been a review of the approach to remuneration for Executive Directors and other members of the senior management team to ensure it continues to support the strategic ambitions of the Company following Admission. A summary of the approach to remuneration following Admission is provided below and further details will be provided in the Company's first Directors' Remuneration Report.

Talent is key to the success of the Company and the remuneration framework needs to continue to attract and retain executives of the right calibre to execute the Group's business strategy successfully. The Company is a unique business, operating with few comparators. Overall remuneration packages for the Executive Directors and other members of the senior management team have been set at levels that are considered appropriate taking into account a number of factors including role, responsibilities, skills and experience, market rates, internal relativities, talent and criticality of the individuals to continued growth of the business. Our remuneration philosophy is to set below market salaries with above market incentives providing strong alignment to performance and investor return.

Pay practices in the listed environment are different from those typically seen in a private company. The remuneration policy has been designed to comply with the UK Corporate Governance Code and aligned to market best practice and the guidelines of UK institutional shareholders and advisory bodies.

Pay for performance and rewarding sustainable success delivered over the longer term have always been central to the Company's remuneration philosophy and they will continue to be as the Company moves to the listed environment. The proposed approach incentivises management to deliver the Company's key goals and continue to generate longer term shareholder value.

The information below, together with the details of the share-based incentive plans set out in paragraph 8 (*Employee Share Plans*) of this Part 10: "*Additional Informatio*n", summarises the key components of the Executive Director and Non-Executive Director remuneration arrangements that will apply from Admission were the Company to undertake a listing.

The Company intends to formally propose a remuneration policy for approval by Shareholders at the first annual general meeting of the Company following Admission, in accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended).

That policy will provide the framework for implementation of the remuneration strategy through a combination of base salary, benefits including pension, an annual bonus and share based long-term incentive awards. The policy will be designed to ensure that the Board can operate with sufficient flexibility to respond appropriately to market developments and changes in talent.

The policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the policy is clearly stated and full details will be described in straightforward concise terms to shareholders and the workforce in the first Directors' Remuneration Report.
- **Simplicity** – remuneration structures are simple and market typical.
- **Risk** – the remuneration policy has been shaped to discourage inappropriate risk taking by including elements such as financial and non-financial performance metrics, bonus deferral, a higher weighting towards long term incentives, recovery provisions and in employment and post-employment shareholding requirements. In addition, no Executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – elements of the policy will be subject to caps and dilution limits. The Remuneration Committee has the discretion to adjust the formulaic outcome of the incentives if the Remuneration Committee believes it is not a fair and accurate reflection of business performance or wider stakeholder considerations.

- **Proportionality** – there is an appropriate balance between fixed pay and variable pay and incentive pay is weighted towards long-term performance. Incentive plans are subject to performance conditions. The link between strategy and performance conditions will be highlighted in the first Directors' Remuneration Report.
- **Alignment to culture** – Company culture and wider workforce policies is considered when shaping and developing Executive Director and group remuneration policies to provide coherence, fairness and alignment across the organisation.

An overview of the key elements of the directors' remuneration policy that will operate from Admission is provided below.

Base salary

On Admission, the base salaries will be £475,000 and £375,000 for the Group's Chief Executive Officer and Chief Financial Officer respectively.

Base salaries will typically be reviewed annually taking into account several factors including but not limited to, the Director's role, responsibilities, experience and skills, the remuneration policies, practices and philosophy of the Company, the pay conditions in the group, business performance, market data for similar roles in comparable companies and the economic environment. Salary increases will normally be in line with increases to the wider workforce. Higher increases may be appropriate where, for example, there are additional responsibilities or complexity or where individuals are recruited or promoted to the Board with salaries set below the targeted policy level until they become established in role.

Pension and benefits

Executive Directors will be eligible to receive a contribution to a pension arrangement or a cash payment in lieu, which is in line with the contribution available to the majority of the workforce in the country of appointment. The current Executive Directors receive 3 per cent. of their basic salary as an employer contribution, which is aligned to the UK workforce.

Executive Director benefits are currently aligned to the UK workforce and include private health insurance, life assurance, a cycle to work scheme and employee assistance programme and under the policy may include (but are not limited to) family private medical insurance, life assurance, a cycle to work scheme and employee assistance programme, car allowance and expenses in connection with relocation.

Annual bonus

The current Executive Directors' performance based annual bonus for the year to 30 June 2021 will continue and be unaffected by Admission.

For the year ended 30 June 2022, the Executive Directors will participate in annual bonus arrangements subject to appropriate performance criteria being met. For the year ended 30 June 2022, the maximum bonus opportunity is 150 per cent. of base salary for each of the Group's Chief Executive Officer and the Chief Financial Officer.

One third of the bonus earned will be paid in Shares with a two year holding period (during which time the Shares cannot be sold and the Shares are subject to clawback) and the remainder will be paid in cash. The approach to performance measurement is still being considered; however the majority of the bonus will be based on financial measures. It is currently intended that for the year ended 30 June 2022, 80 per cent. will be based on Annual Recurring Revenue and 20 per cent. on a range of individual and/or strategic measures.

The performance measures and weightings will be set out prospectively in the relevant Directors' Remuneration Report. Retrospective disclosure of the targets and performance against them will be included in the relevant Directors' Remuneration Report. Discretion to adjust the formulaic bonus outturn may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance.

2021 Award Incentive Plan

It is expected that the Shareholders will approve the adoption of the 2021 Award Incentive Plan (the "**AIP**") conditional upon Admission. Under the AIP, awards can be structured as share options (including U.S. tax qualifying incentive stock options or "**ISOs**"), conditional awards, restricted shares, share appreciation rights or "**SARs**" and other share and cash based awards (the "**AIP Awards**"). The AIP is designed to encourage sustainable long-term performance and provides the flexibility to grant different incentive awards taking into account market practice in the different countries where the Company operates.

The maximum aggregate value of AIP Awards that an Executive Director may be granted in respect of any financial year will be no higher than as specified in the Company's directors' remuneration policy, as approved by Shareholders from time to time.

Conditional awards with performance conditions will be granted annually under the AIP to the Executive Directors with vesting subject to stretching long-term performance conditions and share retention requirements after vesting. The normal maximum grant level for Executive Directors will be 250 per cent. of salary (based on the face value of Shares at grant) with an exceptional limit of 300 per cent. of salary.

Awards granted to Executive Directors under the AIP will have a three year performance period and a further post-vesting holding period such that the period from grant of an award to the end of the holding period is no less than five years.

It is expected that the first AIP Awards to the Executive Directors will be granted soon after Admission (the "**Initial Awards**"). Conditional awards with performance conditions will be granted to the Chief Executive Officer and Chief Financial Officer over Shares with a face value of 250 per cent. of salary for the Chief Executive Officer and 200 per cent. of salary for the Chief Financial Officer. The face value of the award will be calculated using the Offer Price. These Initial Awards will vest subject to the achievement of Relative Total Shareholder Return ("**TSR**") compared to the FTSE 350 excluding investment trusts with threshold vesting for 25% of the award for median performance and maximum vesting for upper quartile and above.

Performance will be assessed from the date of Admission to the end of the year ended 30 June 2024. Awards will vest once performance has been determined and, upon vesting, the post-tax number of Shares will be subject to a holding period such that the period from grant of the award to the end of the holding period is five years. The Executive Directors will also receive dividend equivalents equal to the value of dividends that would have accrued on vested Shares.

Discretion to adjust the formulaic vesting outturn may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance.

All-employee share plans

The Executive Directors will be eligible to participate in any all-employee share plan operated by the Company. Participation will be capped by any HMRC and other relevant limits in the relevant plan.

Malus and clawback

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Remuneration Committee in respect of both the annual bonus awards and AIP Awards within three years of AIP Awards vesting and annual bonus payment. These provisions may be applied without limitation where it considers that there are exceptional circumstances. Such exceptional circumstances for malus or clawback include serious reputational damage, negligence or gross misconduct by the participant, corporate failure, a failure of risk management, material financial misstatement, an error in available financial information or misleading data which led to the grant of an award or vesting of an award being greater than it would otherwise have been or personal misconduct.

Share ownership requirement and holding periods

During their employment the Executive Directors will be required to build and maintain a shareholding equivalent to 200 per cent. of their base salary. Where the requirement has not been met, Executive Directors will be required to retain 50 per cent. of the net of tax Shares they receive under the incentive plans until the requirement is met.

After termination of employment, Executive Directors will be expected to retain the lower of the Shares held at cessation of employment and Shares to the value of 200 per cent. of salary for a period of two years post termination of employment with the Remuneration Committee retaining the discretion in exceptional circumstances to adjust the requirement. The holding periods for the annual bonus and conditional awards subject to performance conditions also continue post-employment with the Remuneration Committee retaining the discretion in exceptional circumstances to adjust the requirement.

Recruitment policy

Consistent with best practice, new senior management hires (including those promoted internally) will be offered packages in line with the remuneration policy in force at the time.

The Company recognises that it may be necessary in some circumstances to provide compensation for amounts forfeited from a previous employer ("**Buyout Awards**"). To the extent possible, Buyout Awards will be made broadly on a like-for-like basis in terms of both value, incentive vehicle and timing of receipt and shall be no more generous than the terms of the awards they are replacing.

Termination policy

Payment under the annual bonus will be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis.

Treatment of AIP Awards will vary depending on whether an Executive Director is defined as a "good" or "bad" leaver. "Bad" leavers' AIP Awards will lapse. However, in certain circumstances, at the discretion of the Remuneration Committee, "good" leaver status may be applied. "Good" leavers' AIP Awards will be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis.

The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits and pension. Any such payments will normally be paid in monthly instalments over the remaining notice period and be reduced to offset earnings from other employment.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise or settle claims the Executive Director may have. Payment may also be made in respect of accrued benefits, including untaken holiday.

Non-Executive Directors

The Chair of the Board and independent Non-Executive Directors are appointed by letters of appointment with an initial three-year term. Details of the Non-Executive Directors terms of service are set out in paragraph 6.1 (*Directors' Terms of Service*) of this Part 10: "*Additional Information*".

8. EMPLOYEE SHARE PLANS

Legacy Growth Shares and Option Schemes

The Group currently operates an employee share option scheme, the Amended and Restated Darktrace Limited 2013 Company Discretionary Share Option Scheme (the "**Legacy Option Scheme**"), under which it has granted options over Shares in Darktrace Holdings Limited (the "**Outstanding Options**"). The Outstanding Options were granted subject to time based vesting. The unvested Outstanding Options will continue to vest after Admission. When vested Outstanding Options are exercised (which includes both vested and unvested Outstanding Options at the date of Admission), they will be satisfied, in the jurisdictions where local laws permit, by Shares held by the employee benefit trust described below such that the exercise of the Outstanding Options will not require a material number of additional Shares to be issued.

The Group currently operates certain growth share arrangements pursuant to which employees of the Group held restricted shares with the lifting of the restrictions subject to service. For the holders of restricted Shares in most jurisdictions the restricted Shares issued remain subject to restrictions and are held subject to a nominee arrangement until the time based restrictions cease to apply. The lifting of the restrictions on these restricted Shares does not require the issue of any Shares. In certain jurisdictions the unvested portion of the growth shares as at the date of Admission will be replaced by conditional awards over newly issued Shares under the AIP.

The Company's employee benefit trust

The Company intends to establish an employee benefit trust (the "**Darktrace Employee Benefit Trust**" or "**EBT**") which will be constituted by a trust deed entered into between the Company and a trustee. The EBT can be used to benefit employees and former employees of the Company and its subsidiaries and certain members of their families. The trustee of the EBT will have the power to acquire Shares. Any Shares acquired may be used for the purposes of the Legacy Option Scheme and the AIP or other employee share plans established by the Group from time to time.

The Group may fund the EBT by loan or gift to acquire Shares either by market purchase or by subscription. Any awards to subscribe for Shares granted to the EBT or Shares issued to the EBT will be treated as counting against the dilution limits that apply to the relevant plan. If the EBT holds more than 5 per cent. of the Company's ordinary share capital (after deducting any Shares held as nominee for beneficiaries under the EBT), the trustees will be required to vote the Shares in excess of 5 per cent. by appointing the Chairperson at a general meeting as a proxy to vote those Shares pro rata to the other votes cast for and against the relevant resolutions at the meeting, to ensure that the voting power of the EBT does not disproportionately impact on shareholder voting. The EBT will not hold more than 10% of the Company's ordinary share capital, without prior shareholder approval.

2021 Award Incentive Plan

Following Admission, the Company will operate a discretionary share based award incentive plan, the 2021 Award Incentive Plan ("**AIP**"). The AIP will be available for the Company to operate in its discretion, on the recommendation of the Board. References to the Board include any designated committee of the Board, being the Remuneration Committee.

It is expected that the Shareholders will approve the adoption of the AIP conditional upon Admission. The material terms of the AIP are summarised below. In recognition of the Company's global workforce, the AIP has been designed to offer flexibility as to the type of award that the Company can offer its employees. This is intended to help attract and retain the best talent across all relevant jurisdictions.

Eligibility

All employees and executive directors of the Group are eligible to receive awards under the AIP at the Remuneration Committee's discretion.

Administration

The AIP is administered by the Remuneration Committee. The Remuneration Committee will have the authority to make all determinations and interpretations under, and adopt rules for the administration of, the AIP, subject to its express terms and conditions. The Remuneration Committee will also set the terms and conditions of all awards under the AIP, including any vesting and performance conditions.

Limitation on Awards and Shares Available

The AIP together with any other discretionary or employees' plans operated by the Company may operate over newly issued Shares, treasury shares or Shares purchased in the market.

Shares to satisfy incentive awards that have not vested or are vested but not exercised at the time of Admission are part of the Company's pre-Admission incentive arrangements and as such are excluded from the dilution limits in the AIP.

The rules of the AIP will provide that no award may be granted under the AIP to the extent that the result of that grant would be that the aggregate number of Shares which could be issued on the realisation of that award and any other award granted at the same time, when added to the number of Shares that:

- could be issued on the realisation of any subsisting awards which were granted after Admission or options granted after Admission during the preceding ten years under the AIP or any other employees' or discretionary share plan established by the company; and

- have been issued on the realisation of any awards granted after Admission or options granted after Admission during the preceding ten years under the AIP or any other employees' or discretionary share plan established by the company,

would exceed 10 per cent of the ordinary share capital of the company for the time being in issue.

Treasury shares will be treated for this purpose as if they were issued shares and will count towards the above limits for as long as institutional shareholder guidance recommends such treatment. The AIP limits outlined above will begin to be calculated at the point of Admission.

Awards

The AIP will provide for the grant of share options, including US tax qualifying incentive stock options or "ISOs", conditional awards, restricted shares, share appreciation rights or "SARs" and other share or cash based awards ("**AIP Awards**"). Certain awards under the AIP may constitute or provide for a deferral of compensation, subject to Section 409A of the US Internal Revenue Code 1986, which may impose additional requirements on the terms and conditions of such awards. All AIP Awards will be detailed in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post termination exercise limitations. AIP Awards other than cash awards generally will be settled in Shares but the Remuneration Committee may provide for cash settlement of any AIP Award. A brief description of each award type follows.

- *Share Options*. Share options provide for the purchase of Shares in the future at an exercise price set on the grant date which may be nil (to the extent that there are no adverse tax consequences). ISOs may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the US Internal Revenue Code 1986 are satisfied. Performance conditions can be attached to nil cost options to create performance share awards.

- *Conditional Awards*. Conditional awards are contractual promises to deliver Shares in the future, which may also remain forfeitable unless and until specified conditions are met. Performance conditions can be attached to conditional awards to create performance share awards.

- *Restricted Share Awards*. Restricted share awards are an award of nontransferable Shares that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price.

- *SARs*. SARs entitle their holder, upon exercise, to receive an amount equal to the appreciation in value of the Shares subject to the award between the grant date and the exercise date.

- *Other Share or Cash Based Awards*. Other Share or Cash Based Awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from Shares or value metrics related to the Shares, and may remain forfeitable unless and until specified conditions are met. Cash awards are cash incentive bonuses subject to performance goals.

Vesting

Vesting conditions determined by the Remuneration Committee may apply to each award and may include continued service, performance and/or other conditions. Conditional awards subject to performance conditions granted to Executive Directors under the AIP will have at least a three year performance period and a further post-vesting holding period such that the period from grant of an award to the end of the holding period is no less than five years.

Holding period

The Board may grant AIP Awards subject to a holding period following vesting, unless it decides not to impose a holding period in any particular circumstance. The Remuneration Committee may amend the holding period or determine that it shall cease to apply to all of some of the AIP Award in its discretion. During this holding period a participant must retain and may not transfer, assign, sell, pledge or otherwise dispose of Shares or AIP Awards that are subject to the holding period (other than to satisfy any tax liabilities in connection with the AIP Award).

Malus and Clawback

Under the AIP, the Board may decide, at any time prior to the end of the applicable holding period (or, if no holding period applies, the vesting date), that the number of Shares subject to a AIP Award shall be reduced (including to nil) on such basis that the Board in its discretion considers to be fair, reasonable and proportionate where, in its opinion, there are exceptional circumstances. Such exceptional circumstances include serious reputational damage, negligence or gross misconduct by the participant, corporate failure, a failure of risk management, material financial misstatement, an error in available financial information or misleading data which led to the grant of an AIP award or vesting of an AIP Award being greater than it would otherwise have been or personal misconduct.

The Board may decide, within three years of the end of the vesting date, that a AIP will be subject to clawback in substantially the same circumstances as apply to malus (as described above). Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

Corporate events

In the event of a takeover, scheme of arrangement, or winding-up of the Company, the AIP Awards may, at the discretion of the Remuneration Committee, vest early. The proportion of the AIP Awards that vest shall be determined by the Remuneration Committee taking into account, the extent to which any applicable performance conditions have been satisfied at that time with AIP Awards ordinarily reduced to reflect the period of time the AIP Award has been held by the participant.

To the extent that Options granted under the AIP vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may usually be exercised for a period of one month measured from the relevant event and will otherwise lapse at the end of that period. In the event of a demerger, distribution or any other corporate event, the Remuneration Committee may determine that AIP Awards shall vest, to the extent determined by the Remuneration Committee taking into account the same factors as set out above.

If there is a corporate event resulting in a new person or company acquiring control of the Company but where ultimate control of the Company is expected to be held by substantially the same persons who were previously the shareholders in the Company, the Remuneration Committee may (with the consent of the acquiring company) alternatively decide that AIP Awards will not vest in full or lapse but the unvested portion of the AIP Awards will be replaced by equivalent new awards over shares in the new acquiring company.

Cessation of employment

Except in certain circumstances, set out below, a AIP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

If a participant so ceases because of his ill-health, death, injury, disability, redundancy, retirement with the agreement of his employer, the participant being employed by a company which ceases to be a Group Company or being employed in an undertaking which is transferred to a person who is not a Group Company or in other circumstances set forth in the AIP Award or other circumstances determined at the discretion of the Remuneration Committee (each a "**Good Leaver Reason**"), however, his AIP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback.

In addition, unless the Remuneration Committee decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant ceases to be a Group employee or director for a Good Leaver Reason, the Board can alternatively decide that his AIP Award will vest early when he leaves. The extent to which a AIP Award will vest in these situations will be determined by the Remuneration Committee at its absolute discretion taking into account, among other factors, the period of time the AIP Award has been held and the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

Foreign Participants and Transferability

The Remuneration Committee may modify AIP Award terms, establish sub-plans, schedules or procedures under the AIP and/or adjust other terms and conditions of AIP Awards, subject to the share limits described above, in order to introduce tax qualifying awards (including in the United Kingdom), facilitate grants of awards subject to the laws, rules regulations or customs of countries outside of the United Kingdom. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the AIP are generally non transferable, and are exercisable only by the participant.

Plan Amendment and Termination

The Remuneration Committee may amend the rules of the AIP at any time, provided that the provisions governing (i) eligibility requirements; (ii) the limitations on the number of Shares subject to the AIP; (iii) the maximum entitlement of a participant under the AIP; (iv) the basis for determining a participant's entitlement to Shares under the AIP; (v) the terms of the Shares to be provided under the AIP; and (vi) the adjustment provisions of the AIP, cannot be altered to the advantage of eligible employees or participants without the prior approval of shareholders in a general meeting (except for minor amendments to benefit the administration of the AIP, to take account of a change in legislation or developments in the law affecting the AIP or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the AIP or for any member of the Group).

No award may be granted pursuant to the AIP after the tenth anniversary of the earlier of (i) the date on which the Board adopts the AIP and (ii) the date on which the Company's shareholders approve the Plan.

9. PENSIONS

The Company does not operate a defined benefit pension scheme for the benefit of its Directors or Senior Managers. However, the Company complies with its statutory obligations in each jurisdiction with respect to contributing to defined contribution and government sponsored pension plans for its employees. No amounts have been set aside or accrued by the Group to provide pension, retirement or similar benefits.

10. SUBSIDIARIES, INVESTMENTS AND PRINCIPAL ESTABLISHMENTS

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

Subsidiary	Principal activity	Country of incorporation	Percentage of ordinary shares held
Darktrace Holdings Limited	Support and marketing services	England & Wales	100%
Darktrace, Inc.	Support and marketing services	United States of America	100%
Darktrace Japan K.K.	Support and marketing services	Japan	100%
Darktrace Australia Pty Ltd	Support and marketing services	Australia	100%
Darktrace South Africa Proprietary Limited	Support and marketing services	South Africa	100%
Darktrace Singapore Pte Ltd	Support and marketing services	Singapore	100%
Darktrace Ireland Limited	Support, marketing and shipping services	Ireland	100%
Darktrace Colombia S.A.S	Support and marketing services	Colombia	100%
Darktrace Hong Kong Limited	Support and marketing services	Hong Kong	100%
Darktrace SAS	Support and marketing services	France	100%
Darktrace Canada, Inc.	Support and marketing services	Canada	100%
Darktrace Mexico SA De CV	Support and marketing services	Mexico	100%
Darktrace Germany GmbH	Support and marketing services	Germany	100%

11. STATUTORY AUDITORS

The auditor of the Group for the financial years ended 30 June 2020, 2019 and 2018 was Grant Thornton UK LLP, whose registered address is at 30 Finsbury Square, London EC2A 1AG. Grant Thornton UK LLP has provided an accountant's report on the historical financial information of the Group for the years ended 30 June 2018, 2019 and 2020 and the six months ended 31 December 2020 (as set out in Section A of Part 9: "*Historical Financial Information*"). Grant Thornton UK LLP has been appointed as auditor of the Company for the period from incorporation on 12 March 2021 to the present. Grant Thornton UK LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

12. MATERIAL CONTRACTS

Other than as set out below, there are no contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Registration Document which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Registration Document.

Amended and restated Shareholders' Agreement

In July 2020, Darktrace Holdings Limited issued senior unsecured convertible loan notes with an aggregate principal amount of approximately $163 million to certain financial investors. In connection with the issue of such convertible loan notes, Darktrace Holdings Limited entered into a deed of termination, restatement and adherence to the subscription and shareholders' agreement dated 2 July 2020 (the "**SHA**") with all the existing shareholders of Darktrace Holdings Limited as well as the convertible loan note holders. Under the terms of the SHA, certain shareholders of Darktrace Holdings Limited have a right to nominate non-executive directors to the board of Darktrace Holdings Limited as well as customary information rights. The SHA shall terminate upon admission of all or any of the ordinary shares or securities of a member of the same Group as Darktrace Holdings Limited (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on the New York Stock Exchange, NASDAQ or the Official List of the FCA or on the AIM Market operated by London Stock Exchange Plc.

The SHA is governed by English law.

13. BANKING FACILITIES

On 15 January, 2021 (the "**Closing Date**"), Darktrace Holdings Limited (the "**Parent**") and Darktrace, Inc. (together with the Parent, the "**Original Borrowers**" and the "**Original Guarantors**"), entered into a facility agreement with Silicon Valley Bank (the "**Lender**") (the "**Facility Agreement**"). The Facility Agreement comprises a multi-currency revolving credit facility in an aggregate amount which does not exceed the lower of $25,000,000 and 80% of the Eligible Receivables (as defined in the Facility Agreement), minus the aggregate amount of outstanding loans advanced (the "**Revolving Facility**"). A Borrower (being an Original Borrower and any company that accedes as a Borrower in accordance with clause 23 (*Accession of Obligors*) of the Facility Agreement) may also request the Lender to issue or have issued letters of credit denominated in U.S. dollars or sterling for such Borrower's account; the aggregate amount so utilised shall at all times reduce the amount otherwise available for advances under the Revolving Facility.

Borrowings under the Revolving Facility are secured by the Obligors (being the Borrowers, the Original Guarantors and any company that accedes as a Guarantor in accordance with clause 23 (*Accession of Obligors*) of the Facility Agreement) pursuant to various security agreements, mortgages and other collateral granted to the Lender. This includes an English law governed debenture and a New York law governed intellectual property security agreement covering, inter alia, various trademarks and patents held by the Parent. The Revolving Facility is jointly and severally guaranteed by the Obligors. The Obligors also irrevocably and unconditionally undertake to immediately pay on demand any amount that another Obligor does not pay when due and indemnify the Lender for any cost, loss or liability incurred as a result of an Obligor not paying any amount due to the obligation becoming unenforceable, invalid or illegal.

The Revolving Facility used to fund the general corporate and working capital purposes of the Borrowers. As of 31 March 2021, $1 million was outstanding under the Revolving Facility.

The principal amounts outstanding under the Revolving Facility shall accrue interest depending on the currency of the advance but subject, at all times, to an all-in floor of 3.75%. Interest shall accrue on each issued letter of credit at the rate of 3.75% per annum of the face value and shall be payable in the same currency.

The Facility Agreement requires the Obligors to observe certain customary affirmative and negative covenants. The Obligors shall ensure that a minimum of the following percentages of the Receivables (as defined in the Facility Agreement) of the Parent and its subsidiaries from time to time shall be paid by the relevant account debtors: 50% for the first year after the Closing Date; and 65% after the first anniversary of the Closing Date.

The Facility Agreement also contains customary representations and warranties, as well as event of default provisions. Following the occurrence of an Event of Default (as defined in the Facility Agreement) that is continuing and upon written notice from the Lender, the obligation of the Obligors to pay when due any amounts owed to the Lender shall bear interest at 3% above the rate effective immediately before the Event of Default.

The Revolving Facility matures on the date falling 24 calendar months following the Closing Date (the "**Revolving Facility Maturity Date**") and any amount still outstanding on such maturity date will become immediately due and payable.

The Borrowers may voluntarily cancel and prepay the Revolving Facility in whole (but not in part) by giving five business days' prior notice to the Lender. Amounts repaid or prepaid under the Revolving Facility may be reborrowed.

In addition, the Facility Agreement requires mandatory prepayment in certain circumstances, including: (A) if it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations under the Facility Agreement; and (B) following a change of control i.e. a transfer that results in a person obtaining control of the Parent (excluding any newly incorporated holding company that owns 100% of the legal and beneficial interest in the Parent). Upon the occurrence of a flotation, the Lender may (but is not obliged to) cancel the Revolving

Facility by written notice and declare all outstanding amounts due and payable within three business days. On 1 March 2021, the Parent and the Lender entered into a loan agreement amendment pursuant to which the Lender has confirmed that it will not exercise this right to cancel the Revolving Facility, provided the flotation occurs on or before 21 May 2021.

The Facility Agreement is governed by English law.

14. LITIGATION

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the twelve months preceding the date of this Registration Document, which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

15. RELATED PARTY TRANSACTIONS

For each of the financial years ended 30 June 2020, 2019 and 2018 and the six months ended 31 December 2020, the Company has not entered into any transactions with related parties save as disclosed in Note 29 of the financial information set out in Section B of Part 9: "*Historical Financial Information*".

The Company has not entered into any related party transactions since 31 December 2020 up until the date of this Registration Document.

16. NO SIGNIFICANT CHANGE

There has been no significant change in the financial position or financial performance of the Group since 31 December 2020, the date to which the Historical Financial Information of the Group was prepared.

17. CONSENTS

Grant Thornton UK LLP has given and has not withdrawn its written consent to the inclusion of its report dated 12 April 2021 which is set out in Section A of Part 9: "*Historical Financial Information*" of this Registration Document. This consent is included in the Registration Document in compliance with Annex 1 (1.3) of the Prospectus Delegated Regulation and for no other purpose.

A written consent under the Prospectus Rules is different from a consent filed with the SEC under section 7 of the US Securities Act. As the Offer Shares have not been and will not be registered under the US Securities Act, Grant Thornton UK LLP has not filed a consent under section 7 of the US Securities Act.

18. GENERAL

The financial information contained in this Registration Document does not amount to statutory accounts within the meaning of section 434(3) of the Act.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available and may be inspected at the Company's website at www.darktrace.com and at the Company's registered office, for a period of 12 months following Admission. Inspection of these documents in person may only take place in accordance with the measures imposed by the UK Government in connection with the COVID-19 pandemic:

(a) the Articles; and

(b) the accountant's report from Grant Thornton UK LLP in respect of the audited historical consolidated financial information of the Group in respect of the financial years ended 30 June 2018, 2019 and 2020 and for the six months ended 31 December 2020, which is set out in Section A of Part 9: "*Historical Financial Information*".

Dated: 12 April 2021

Part 11

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Registration Document unless the context requires otherwise:

"**Act**"	the UK Companies Act 2006, as amended;
"**Admission**"	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities;
"**Adjusted EBIT**"	the Group's EBIT plus share-based payment charges, plus certain share option-related employer tax charges;
"**Adjusted EBITDA**"	the Group's EBITDA minus appliance depreciation attributed to cost of sales, plus share-based payment charges, plus share option-related employer tax charges;
"**APAC**"	Asia-Pacific;
"**API**"	application programming interface;
"**AWS**"	Amazon Web Services;
"**AI**"	artificial intelligence;
"**ARR**"	annual recurring revenue;
"**Articles**"	the articles of association of the Company;
"**Board**"	the board of directors of the Company;
"**Brexit**"	the exit of the United Kingdom from the European Union, officially on 31 December 2020;
"**CAGR**"	compound annual growth rate;
"**CEO**"	chief executive officer;
"**CISA**"	the Swiss Collective Investment Schemes Act;
"**CLN**"	convertible loan notes;
"**Company**"	Darktrace plc;
"**customers**"	a customer is a single logo which is contributing to ARR in the month, as verified in ARR summary reports;
"**Customer Success Team**"	the team established in 2018 to help maintain Darktrace's customer relationships;
"**Directors**"	the directors of the Company from time to time;
"**DTRs**"	Disclosure Guidance and Transparency Rules of the FCA;
"**EBIT**"	the Group's operating profit or loss;
"**EBITDA**"	the Group's EBIT plus depreciation and amortisation;
"**EU**"	the European Union;
"**Executive Directors**"	the executive Directors of the Company;
"**FCA**"	the UK Financial Conduct Authority;

"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**Group**" or "**Darktrace**"	Darktrace Holdings Limited and each of its consolidated subsidiaries and subsidiary undertakings prior to the completion of the Reorganisation, and thereafter, the Company and its consolidated subsidiaries and subsidiary undertakings from time to time;
"**ICP**"	ICP London Limited;
"**ICPDH**"	ICP Darktrace Holdings Limited;
"**IFRS**"	International Financial Reporting Standards, as adopted by the European Union;
"**Independent Directors**"	the independent directors appointed to the Board;
"**Invoke**"	Invoke Capital Partners;
"**IoT**"	internet of things;
"**IRS**"	United States Internal Revenue Service;
"**KKR**"	Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates, including funds advised by Kohlberg Kravis Roberts & Co. L.P., as the context may require;
"**KKR DA**"	KKR Dark Aggregator L.P.;
"**KPIs**"	key performance indicators;
"**LATAM**"	Latin America;
"**LIBOR**"	London Interbank Offered Rate;
"**Listing Rules**"	the listing rules of the FCA made under section 74(4) of the FSMA;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Market Abuse Regulation**"	the UK version of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time;
"**Member State**"	member state of the EEA;
"**Non-Executive Directors**"	the non-executive Directors of the Company;
"**Official List**"	the Official List of the FCA;
"**OT**"	Operating Technology;
"**PCAOB**"	Public Company Accounting Oversight Board (United States);
"**POV**"	proof of value;
"**Prospectus Delegated Regulation**"	the UK version of the Commission Delegated Regulation (EU)2019/980 supplementing the UK Prospectus Regulation as regards format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time;
"**Prospectus Rules**"	the prospectus regulation rules of the FCA;

"**Prospectus**"	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA;
"**Registration Document**"	this registration document;
"**Rule 144A**"	Rule 144A under the U.S. Securities Act;
"**SaaS**"	software as a service;
"**Senior Manager**"	each member of the senior management team of the Company;
"**SIEM**"	security information and event management;
"**Shares**"	the ordinary shares of £0.01 each, of the Company;
"**SMB**"	server message block;
"**SOAR**"	security orchestration, automation, and response;
"**TAM**"	total addressable market;
"**U.S. GAAS**"	auditing standards generally accepted in the United States of America; and
"**U.S. Securities Act**"	the U.S. Securities Act of 1933, as amended;
"**UK Corporate Governance Code**"	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time;
"**UK Prospectus Regulation**"	the UK version of Regulation (EU) No 2017/1129 as amended by The Prospectus (Amendment etc.) (EU Exit) Regulations 2019, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time; and
"**US$**"; "**USD**"; "**$**"; "**dollar**"	the lawful currency of the United States of America.